

Te Whakarāpopototanga o te Rīpoata ā-Tau 2016/2017

O TE KAUNIHERA O TĀMAKI MAKĀURAU

AUCKLAND COUNCIL

Summary Annual Report 2016/2017





Westhaven Boardwalk

He mihi

Noho mai rā Tāmaki Makaurau, moana waipiata, maunga kākārīki. Mai i ngā wai kaukau o ngā tūpuna, ki ngā puke kawē i ngā reo o te tini, i puta ai te kī mōu. Tū ana he maunga, takoto ana he raorao heke ana he awaawa. Ko ō wahapū te ataahua, ō tāhuna te mahora, te taiao e whītiki nei i a koe he taonga tuku. Tiakina kia meinga tonu ai koe ko 'Te Kāinga Noho Āhuru o te Ao'.	Tāmaki Makaurau who bestrides shimmering seas, and verdant mountains. From the bathing waters of our forebears, and hills that echo with voices that acclaim. Your mountains stand lofty, your valleys spread from them and your streams run freely. Your harbours are majestic, your beaches widespread, the environment that surrounds you is a legacy. Take care of it so that you will always be known as 'The World's Most Liveable City'.
Tāmaki Makaurau tirohia te pae tawhiti he whakairinga tūmanako mō ngā uri whakaheke ō āpōpō, te toka herenga mō te hunga ka takahi ake mā ō tomokanga, te piriti e whakawhiti ai tō iwi ki ngā huarahi o te ora.	Tāmaki Makaurau looking to the future, repository of our hopes for generations to come, anchor stone for those who venture through your gateway, and the bridge that connects your citizens to life.
Tāmaki Makaurau e toro whakamua, hikina te mānuka. Tērā te rangi me te whenua te tūtaki. Maranga me te rā, he mahi māu me tīmata, ka nunumi ana ki te pō, whakatārewahia ō moemoeā ki ngā whetū.	Tāmaki Makaurau moving on, accepting all challenges. Where even heaven and earth might meet. Rise with the sun as there is work to be done and when evening comes, your dreams to glide among the stars.
Ko te oranga mutunga mōu kei tua i te taumata moana. Tūwherahia ō ringa, kūmea mai ki tō uma.	Perpetual health and growth is beyond the horizon of cresting waves. Open your arms and pull them to your embrace.
Tāmaki Makaurau he tāone ūmanga kurupounamu; tukua tō rongō kia rere i te ao.	Tāmaki Makaurau, you are a city where valued business and enterprise thrives; let your good name traverse the world.

Kupu whakataua Welcome

Auckland Council's Summary Annual Report 2016/2017

Auckland Council's role is to make the region we love even better. We are here to deliver the services and infrastructure required for Auckland to grow into a more prosperous region, one that gives a voice to our communities and is a great place to live, visit and invest.

This report is for the Auckland Council Group, which includes the council, council-controlled organisations, subsidiaries, associates and joint ventures. For more information about the group's operating structure see pages 48 to 49.

Auckland Council Group is required by the Local Government Act 2002 to prepare and adopt an annual report that demonstrates to Aucklanders how we are fulfilling our role by reporting on the past year's highlights and performance against budgets and service targets.

The Annual Report 2016/2017 covers the period 1 July 2016 to 30 June 2017, and reports against the Long-term Plan 2015-2025 and the Annual Plan 2016/2017.

Annual Report 2016/2017

This summary is an abridged version of the Auckland Council Annual Report 2016/2017. It has been audited to ensure consistency with the annual report. Both the summary and annual report received unmodified audit opinions and were adopted by Auckland Council on 28 September 2017.

The full annual report includes detailed disclosure information and is split into three volumes.

Volume 1: Overview and service performance

Volume 1 contains an overview of the performance results for the year, together with detailed results against financial and non-financial targets for our regional groups of activities.

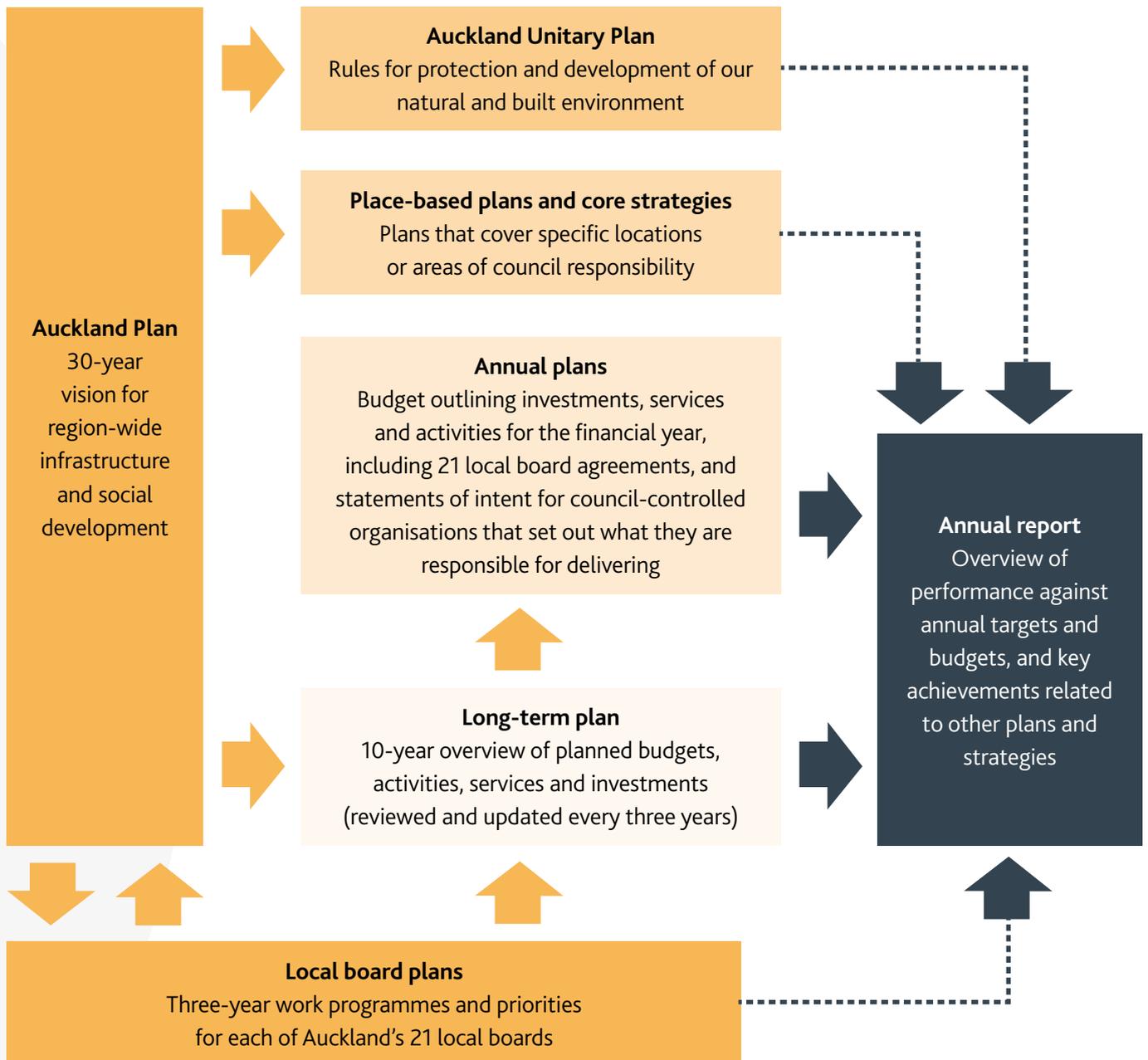
Volume 2: Local boards

Volume 2 contains detailed results against financial and non-financial targets for our local groups of activities and local boards.

Volume 3: Financial statements

Volume 3 contains our financial statements.

How the annual report fits into our planning and reporting framework



You can find the annual report and summary annual report on our website at aucklandcouncil.govt.nz/annualreport. Printed copies are available to view at all Auckland Council libraries, service centres and local board offices.

Rārangi kōrero

Contents

Introduction

Setting the scene with information about the purpose of this report, a look at the Auckland region and the council's role, and messages from the mayor and chief executive about our progress and challenges.

- Welcome 4
- Introducing Auckland 8
- Message from the mayor..... 10
- Message from the chief executive 14
- Responding to growth..... 16

Performance overview

A snapshot of our financial and service performance for 2016/2017, including key highlights from each of our themes and special focus areas.

- Our performance at a glance 20
- Key financial information 22
- Service performance overview 24
- What we delivered 26
- Achieving better outcomes with and for Māori 34
- Our commitment to sustainability 40

About the council

A look at how the various parts of Auckland Council's decision-making and operational structures fit together, information about internal governance and accountability, and an overview of the operational strategy, leadership and people of the Auckland Council organisation.

- How Auckland Council works 43
- Governance and decision-making 44
- Operating structure 48
- Internal governance 50
- Auckland Council organisation..... 52
- Leadership, strategy and our people 54

Financial performance overview

Key aspects of our financial performance and policy, summarised from the full financial statements in volume 3..... 57

Audit opinion 68

How to contact Auckland Council..... 70



Takapuna playground

He whakamārama mō Tāmaki Makaurau Introducing Auckland



A population of
1,614,400
that represents



200
ethnic groups and
44% are under age 30



An environment featuring
three major harbours,

3200km
of coastline and



40,000ha
of regional parks

An economy that generates



37%
of the national GDP, experienced

4.1%
employment growth in 2016 and
is home to



60%
of New Zealand's
top 200 companies



International recognition that includes
being ranked the world's

**3rd most
liveable city**
(Mercer Survey 2017)



Auckland Council's role

Auckland is a
modern city
that is
diverse,
inclusive and
dynamic

We engage with Aucklanders
to help decide how we'll provide
services and how we'll pay for them.
This year we received

8058

submissions
on our proposed annual budget

We provide the
infrastructure,
facilities and **services**



required as Auckland's population grows to

2,200,000

over 30 years

We also advocate and facilitate the involvement of
other stakeholders such as central government, housing
developers and community groups

We get to work... then report back on our progress, which in 2016/2017 included

\$1.66
billion

of investment
in capital projects

support for

84,860

volunteer hours worked
in regional parks and facilitating
major events that contributed

\$76
million

to the economy
(ATEED)



He karere nā te koromātua

Message from the mayor

As Aucklanders we are privileged to live in a region with a beautiful environment and a diverse and rich culture. It gives us all choice and opportunity in where we can work, learn and relax, and enjoy a stable, prosperous and peaceful life.

Our high levels of growth are a reflection of this being a great region in which to live, but growth also poses its own challenges.

Those challenges include addressing housing shortages and affordability, traffic congestion, and protecting our environment.

While there are no quick fix solutions, we have made a strong start to tackling these problems and to ensure Auckland is a world-class city where talent wants to live.

Responsible fiscal management was at the heart of the first annual budget of this term of the council. Passed by the Governing Body in June, the Annual Budget 2017/2018 reduced general rates increases to 2.5 per cent and provided relief to ratepayers following higher increases of previous years.

Annual Budget 2017/2018 also broadened the council's revenue base via a targeted rate on accommodation providers, freeing up more than \$100 million over 10 years for infrastructure investment. In total the budget increases capital investment in infrastructure by \$200 million, and helps vulnerable Aucklanders by addressing homelessness and committing to delivering a Living Wage for low-paid council staff during this term of the council.

We are also systematically reviewing all services across the council group to ensure our organisation is providing value for money to Aucklanders. Conducted under section 17A of the Local Government Act 2002, these reviews seek to identify savings and operational improvements that make the council more efficient and provide better outcomes for Aucklanders. A review of council-controlled organisations (CCOs) processes and detailed statements of intent for those organisations aims to better align our CCOs to council strategy and their accountability to the people of Auckland.

Housing affordability is a major challenge for Auckland. It affects us, our children and grandchildren with increasing numbers of people locked out of the Auckland housing market. As house prices skyrocketed in Auckland over recent years more people and families are excluded from the hope of home ownership while low income families struggle to meet the high cost of renting.

In seeking solutions to our housing issues, I convened the Mayoral Housing Taskforce early in 2017. It brought together key public and private housing and construction sector stakeholders

to develop practical solutions to increase the speed of house building in Auckland, and improve affordability and quality. If we can match supply of housing to demand as the population grows, we can reduce the inflation of house prices.

The taskforce report contained 33 recommendations across all parts of the sector with key recommendations around how to get more houses built, creating infrastructure to unlock the availability of land, and promoting quicker and easier consent processes. The council is currently working through the recommendations it is responsible for and pressing the government for the changes it needs to facilitate.

In recent months we have made progress with the government to secure investment for major housing developments in Auckland.

The Housing Infrastructure Fund will provide a \$300 million investment in transport, wastewater and stormwater projects that will enable us to bring forward the construction of 10,500 new homes in Whenuapai and Redhills. Further, the creation of a Special Purpose Vehicle (SPV) to fund additional critical housing infrastructure in Auckland will enable us to bring forward construction of around 23,300 new homes in south Auckland and Wainui much earlier than would otherwise be possible.

The SPV allows the council to access more capital to invest in infrastructure without adding further debt to the council's books which would jeopardise our credit rating. It is significant progress and shows the council and government working together to address Auckland's housing challenges.

The council is also working with the government to tackle Auckland's growing traffic congestion.

Our population grows by 45,000 people per year and 800 new cars on Auckland's roads each week is placing pressure on our roading system. While the new Waterview Tunnel has made a real difference in helping improve traffic flows, our city's growth towards a population of two million people will continue to place further pressure on our roads and future progress on reducing congestion must come from a stronger public transport system.

This year we opened the Ōtāhuhu bus and rail interchange, the Half Moon Bay ferry pier and began construction on the Manukau bus station. Auckland Transport's new bus network went live with over 300 new bus stops and a 15 per cent increase in service kilometres. We constructed another 19km of new bus lanes and delivered \$39.1 million of cycling infrastructure.

The City Rail Link project started last year and when completed in 2023 it will double the capacity of the rail network, enabling 30,000 people an hour to move by rail during peak travel times. Rail passenger numbers in Auckland have increased from three million a few years ago to reach 20 million a year in August 2017.

The North Shore busway now sees more residents from the North Shore travelling to the CBD during peak times by bus rather than private car with nearly 84.5 million trips in the 12 months to November 2016. Cycling patronage in Auckland is up by eight per cent on the previous year.

We are now updating the Auckland Transport Alignment Project with the government to bring forward key transport infrastructure projects, and increase government and council investment over the coming decade to \$27 billion for the Auckland transport network.

It's an impressive amount of work, but the truth is that in the face of a rapidly rising population we have to run fast to stand still. And while we have succeeded in winning more support from the government, we as Aucklanders will have to contribute more through road pricing to pay for the investment in the transport infrastructure we need.

Aucklanders love their region for its stunning natural environment and trust us to protect it for future generations to enjoy.

'Million Trees' is a mayoral initiative to green our city and make Auckland more beautiful. It will also act to absorb carbon emissions and reduce erosion and siltation. Over three years we will plant one million predominantly native trees and shrubs across Auckland in partnership with iwi, schools, public and private-sector organisations, and the public. The programme will incorporate new and existing initiatives, and enable us to measure and improve environmental protection at a regional level.

We also continue with our drive to minimise waste in Auckland through a combination of reducing waste like plastic bags, recycling, trialling food waste collection, and an annual inorganic refuse collection. The results are encouraging with household waste down by 10 per cent and 30 per cent of inorganic waste diverted from landfills.

This coming year will be important for Auckland. We will be developing and consulting on the Long-term Plan 2018-2028 which will set out the budget, policies and council work programme for the next 10 years.

We know there will have to be trade-offs between what we want and need, and what we can afford. I look forward to hearing what's important from Aucklanders so we can plan and start work on funding and infrastructure that will continue to make Auckland a great place to live.



A handwritten signature of Phil Goff in black ink.

Phil Goff,
Mayor of Auckland



(L-R) Tāmaki MP Simon O'Connor, Transport Minister Simon Bridges and Mayor Phil Goff open the first stage of the Glen Innes to Tāmaki Drive Shared Path.

He karere nā te tumu whakarae

Message from the chief executive

Last year, one of our priorities was getting our three-year performance plan in place. This year, we put our heads down and got on with it – and I am pleased to report some great successes.

A particular highlight was the 143 per cent increase in the number of submissions received during consultation on the Annual Budget 2017/2018. A focus area in the performance plan is engaging and enabling communities. Council staff have developed innovative ways of doing this, and Aucklanders responded enthusiastically.

A lot of effort has gone into improving our services for Aucklanders as both customers and community members.

We developed more options for people to carry out common transactions and get information online, while in the background making system improvements to provide quicker and more consistent service.

We've continued our plan to create empowered communities where everyone can take a more active role in planning and decision-making.

14



Volume 2 of this report in particular includes some amazing examples of projects delivered by community members working with their local board and council staff.

Our role is to provide expert advice, support and delivery services to elected members as they work on behalf of Aucklanders, and the strength of these relationships is improving all the time. We are now more frequently working in harmony, and spending more time getting the job done. The comprehensive and high-quality induction programme for incoming elected members following the November election laid the groundwork for three years of productive collaboration.

We're developing much closer internal working relationships, too. Many of our large infrastructure plans and projects require collaboration between the council, Auckland Transport, Watercare and Panuku, and we are working well together. We've also put a lot of effort into negotiating savings and additional benefits on contracts across the council group, an example of how we can use our size to our advantage.

In 2016/2017, we completed or progressed \$1.66 billion of capital projects, including:

- the start of construction on the 1.1km Artillery Drive stormwater tunnel and the 2.1km Takanini Cascades stream system, and completion of stormwater network upgrades in Three Kings – projects that support development in Special Housing Areas
- the opening of the two stages of the 32km Hunua 4 watermain from Manukau to central Auckland which will ensure security of supply and cater for growth
- the opening of Ōtāhuhu station bus and rail interchange

- \$39.1 million investment in cycling infrastructure as part of the 2015-2018 Urban Cycleways Programme
- the opening of Albany Stadium Pool.

I am energised by the 2017/2018 budget, not just because of the community input I mentioned above, but because it builds on this year's progress with another exciting and ambitious programme of work that will provide benefits to all parts of Auckland.

This includes \$1.4 billion budgeted for investment in assets such as Silverdale park-and-ride, Westgate Library and Community Centre, Westhaven promenade, Ormiston town centre, the Māngere Wastewater Treatment Plant upgrade and, of course, the next stage of the City Rail Link.

I echo the mayor's encouragement for Aucklanders to have their say on the Long-term Plan 2018-2028 we'll be developing over the coming year. The best results will happen when we are all on the same page, and this is our chance to create a shared plan of action for the next decade.



A handwritten signature in black ink that reads "Stephen Town".

Stephen Town,
Chief Executive, Auckland Council

He aronga whakatupu

Responding to growth

Auckland's population is growing faster than predicted, meaning housing and transport remain our two key issues.

Housing demand is still increasing while transport needs and congestion are growing far more quickly than forecast.

Traditional revenue from rates, development contributions and fees can't provide enough funding for either housing or transport. There must be joint investment from the government and the council, and new sources of revenue.

The challenge is: how to build enough housing to meet our continuing rapid population growth, and how to provide transport infrastructure that will improve the flow of people and freight around the region.

Housing

The council believes joint investment with the government and new sources of revenue will help improve construction rates.



However, construction depends on private sector developers who are constrained by capacity in the construction industry and the supply of funding from financial institutions.

While the council doesn't build houses, we have regulatory and facilitation responsibilities to enable development to meet demand, and can help create an environment of opportunity. We have:

- the potential to build over 400,000 new homes under the Auckland Unitary Plan including greenfield and brownfield sites
- processed 55,384 net sections and dwellings consents
- introduced Consenting Made Easy to speed up the consenting process from basic home projects through to major infrastructure and housing
- opened a Development Programme Office that provides a single point of contact for major developers
- area plans and guidance such as the Auckland Design Manual to help developers create housing Aucklanders will choose to live in
- two government support packages to cover housing infrastructure – \$300 million from the Housing Infrastructure Fund providing for 10,500 houses to be built at Red Hills and Whenuapai, and \$600 million from Crown Infrastructure Partners for 5500 houses in Wainui, and 17,800 homes in Pukekohe, Paerata and Drury
- established Panuku Development Auckland to facilitate redevelopment of urban locations and attract private sector investment
- committed to social housing, including 7500 houses in Tāmaki, and housing for older people
- strategies through Auckland Transport to align transport and housing, and to reduce dependence on private vehicles and minimise congestion.



A July 2017 taskforce report recommended actions to:

- enable the construction sector to develop at scale, including identifying investors who can build through the dips to lift construction in the peaks
- make more land available with appropriate zoning and infrastructure, at the right price, to enable more development, faster
- deliver efficient and certain planning, consenting, and risk management to reduce costs, enable innovation in construction and delivery, and create communities with high-quality buildings and good urban design.

The council is now identifying actions in response to these recommendations.

More information about housing challenges and how we are responding can be found in volume 1 under Responding to growth on pages 16 to 20, and throughout the Auckland Development, and environmental management and regulation themes.

Transport

Road congestion is creating a major drag on the region's economic potential.

The council, Auckland Transport and the New Zealand Transport Agency (NZTA) joined forces on the City Rail Link, Waterview Tunnel, Simpler fares, AMETI, Mill Road and the Northern Busway extension to address congestion, improve public transport uptake, promote alternative transport, and provide infrastructure to growth areas.

Auckland Transport is working with stakeholders on:

- Transport for Future Urban Growth: An alliance of the council, Auckland Transport and NZTA to support significant greenfield growth in housing and ensure growth areas have transport networks in place.
- The Local Residential Growth and Housing Infrastructure Funds which will enable 'just in time' matching of core infrastructure such as transport, wastewater and stormwater with housing development.
- Auckland Transport Alignment Project (ATAP): A joint project between the council, Auckland Transport, Ministry of Transport, NZTA, Treasury and State Services Commission to complete a strategic public transport network with smarter pricing and increased vehicle occupancy.

New partnerships between the council, government and the private sector, such as the Mayoral Taskforce on Housing, Panuku Development Auckland, and ATAP are expected to deliver innovative solutions. New funding sources, such as congestion charges, road pricing, tolls, and regional fuel taxes are being considered to fund future transport infrastructure.

Key infrastructure projects are now being brought forward, taking the government and council investment over the next 10 years to \$27 billion. While the government has invested in the Central Rail Link and ATAP has been updated, this still leaves a \$5.9 billion funding gap. The council is negotiating with the government on bridging this gap.

More information about transport challenges and how we are responding can be found in volume 1 under Responding to growth on pages 21 to 23, and in the Transport theme. Auckland Transport's annual report also provides more information.



Tirohanga whānui o ngā mahi whakahaere

Our performance at a glance

Theme	What we do	Capital expenditure
 Transport	We are transforming Auckland by moving to outstanding public transport within one network. We are improving the speed, accessibility, frequency, affordability, reliability and attractiveness of public transport.	 \$724m 43% of total
 Auckland development	We are developing great neighbourhoods, centres, parks and public spaces that are loved by Aucklanders. We want to provide choices, reflect Auckland's Māori identity as our point of difference in the world, and connect people to places and to each other.	 \$95m 6% of total
 Parks, community and lifestyle	We provide a range of facilities, services and events that help people to be healthy and have fun. These include sports, arts, culture, recreation and leisure experiences. For example, we provide a wide range of libraries, pools, fields, parks and community centres.	 \$201m 12% of total
 Water supply and wastewater	We plan, build and maintain the network of pipes, dams, treatment plants and pumps required to provide a high standard of drinking water and sewerage treatment.	 \$311m 19% of total
 Economic and cultural development	We are raising living standards by delivering events, attracting visitors and business investment, progressing training and innovation programmes, and providing major cultural and sporting facilities.	 \$38m 2% of total
 Environmental management and regulation	We support Auckland's environments to be safe and sustainable, and to enable thriving communities. We work alongside iwi and community partners to restore and enhance our natural environment. We also collect rubbish and recycling, and minimise the risk of homes and businesses flooding when it rains.	 \$127m 8% of total
 Governance and support	We provide a variety of administrative, management and support functions that are necessary to keep Auckland running. This includes providing funding support for external organisations such as the Auckland War Memorial Museum and MOTAT.	 \$164m 10% of total



Operating expenditure	Source of operating funding	Performance measure results
<p>\$911m 32% of total</p>	<p>Rates 54%</p> <p>Non-rates 46%</p>	<p>16 (Achieved), 1 (Substantially achieved), 10 (Not achieved)</p>
<p>\$153m 5% of total</p>	<p>Rates 70%</p> <p>Non-rates 30%</p>	<p>13 (Achieved), 1 (Substantially achieved), 1 (No result)</p>
<p>\$413m 15% of total</p>	<p>Rates 86%</p> <p>Non-rates 14%</p>	<p>12 (Achieved), 1 (Substantially achieved), 4 (Progress made), 7 (Not achieved)</p>
<p>\$296m 11% of total</p>	<p>Rates 0%</p> <p>Non-rates 100%</p>	<p>14 (Achieved)</p>
<p>\$169m 6% of total</p>	<p>Rates 57%</p> <p>Non-rates 43%</p>	<p>13 (Achieved), 3 (Not achieved), 1 (No result)</p>
<p>\$359m 13% of total</p>	<p>Rates 58%</p> <p>Non-rates 42%</p>	<p>25 (Achieved), 11 (Substantially achieved), 9 (Not achieved), 6 (No result)</p>
<p>\$498m 18% of total</p>	<p>Rates 17%</p> <p>Non-rates 83%</p>	<p>2 (Achieved), 2 (Progress made), 3 (Not achieved)</p>

Ngā pārongo pūtea matua

Key financial information

This section provides a summary of our financial strategy and performance for 2016/2017. See page 57 to 67 for more detail and volume 3 for the full financial statements.

Financial strategy

Our strategy is to balance financial prudence with community expectations for service delivery that supports Auckland's growth. Auckland needs services, infrastructure and facilities that can cope with increasing demand as the city grows. At the same time, Auckland needs to remain affordable for both current and future Aucklanders. This means we need to be smart about how we fund growth-related investment and keep costs down. To meet this challenge we are focused on getting the most value out of every dollar we collect through efficiency savings, disposal of non-strategic assets, maximising the return on our investments and partnering with others.

What we spent

In 2016/2017, Auckland Council Group invested \$1.66 billion in capital projects, including transport, water and wastewater infrastructure, and community facilities.

How we paid for it

Auckland Council Group has many revenue streams, including rates, grants and subsidies, and fees and user charges.

Debt is largely used to pay for capital projects, so the cost can be spread across the life of the assets. Total Auckland Council Group debt as at 30 June 2017 was \$8.3 billion, below forecast debt levels primarily due to lower investment in capital assets than budgeted.

Grants and subsidies covers revenue received from an external agency to help fund activities and services. For Auckland Council Group, the majority of this relates to government funding for transport.

Fees and user charges covers revenue from services that are paid for directly by those who use them, such as water and wastewater, licensing and consent applications, and venue hire. Increasing the proportion of funding for services that comes directly from users allows more rates revenue to be allocated to projects and services that benefit everyone.

Rates funding pays for the things that make Auckland a great place to live, work and invest in. This includes transport, environmental management, community services and facilities, and economic and cultural development.

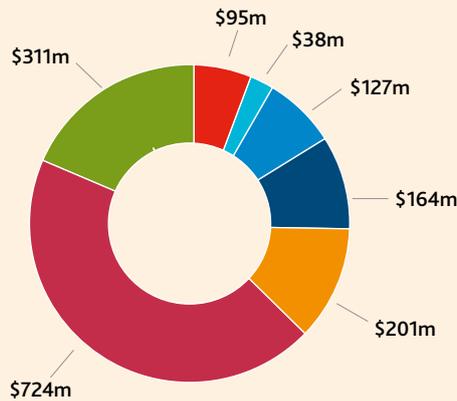
To keep rates affordable while absorbing the higher ownership costs associated with new assets (such as interest, depreciation and maintenance costs), we have been working hard to contain our costs through:

- smarter procurement, including leveraging the size of Auckland Council Group to negotiate contracted savings
- simpler and better information technology and operating processes, including looking at ways to consolidate and share common services across the group
- reducing floorspace and using our office buildings more efficiently.

What we spend

Capital expenditure

Spend to develop, purchase and significantly upgrade assets, such as infrastructure and property

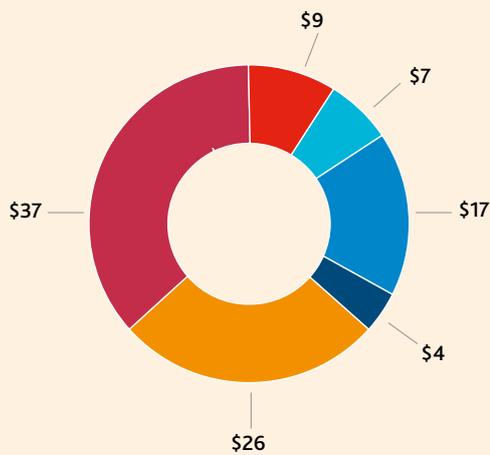


Operating expenditure

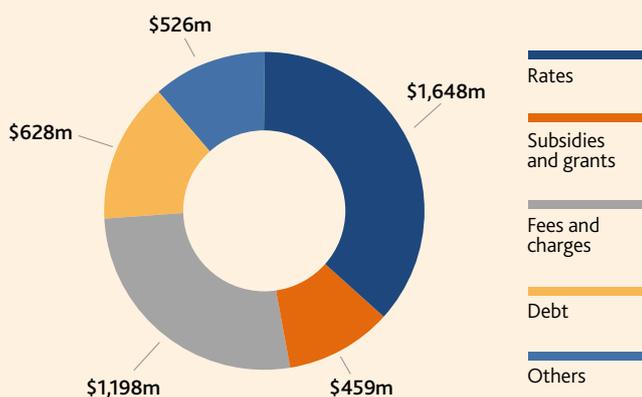
Spend on providing services and running the organisation to maintain and operate our assets



How each \$100 of rates was spent



How we paid for it



Further information about our financial performance can be found on pages 57 to 67, as well as in Volume 1: Overview and service performance, and Volume 3: Financial statements.

Tirohanga whānui o ngā whakahaere ratonga

Service performance overview

The Long-term Plan 2015-2025 sets out performance measures with targets that we report on, to track and share our progress. Here’s an overview of how we performed in key areas – see volumes 1 and 2 of the annual report for detailed performance results.

Throughout the report, the following symbols and criteria are used to display performance measure results compared to targets.

		
Achieved Target has been met or exceeded	Substantially achieved Target has not been met by a slim margin	Not achieved Target not achieved and prior-year result has not been improved

Transport

88.4 million trips made on public transport <i>Target: 89 million 2016: 82.9 million 2015: 79.2 million</i>		While not quite reaching the target, the result is a significant increase on last year, indicating the success of the New Network roll-out to date and a variety of service and infrastructure improvements.
61% of Aucklanders satisfied with the condition of roads <i>Target: 70% 2016: 69% 2015: 69%</i>		Satisfaction has been affected by construction projects such as Watercare’s Hunua 4 watermain, the CRL, SH20 works, Point Chevalier interchange, and remodelling of SH16 near St Lukes.
30% of travel time targets met on selected key freight routes <i>Target: 85% 2016: 90% 2015: 100%</i>		The routes that were not achieved were all still within one minute of the target time. Next year’s work programme includes improvements on some of these routes.
1,742,305 journeys made by bike <i>Target: 1,200,000 2016: 995,828 2015: 906,518</i>		This year, \$39.1 million was spent on delivering cycling infrastructure, including projects in the 2015-2018 Urban Cycleways Programme.

Parks, community and lifestyle

96% of people satisfied with their visit to a regional park <i>Target: 96% 2016: 96% 2015: 97%</i>		This year Green Flag Awards were awarded to six regional parks in recognition of the highest standards of park management in terms of community involvement, public safety, maintenance and sustainability.
84,860 volunteer hours worked to help maintain and improve our regional parks <i>Target: 80,000 2016: 88,343 2015: 90,080</i>		A particular highlight was working with partner groups on several initiatives to reintroduce native bird species to our parks.

28% of peak booking time utilised at community centres and venues <i>Target: None 2016: 28% 2015: New</i>		Our new online venue booking system has made it easier for customers to check availability and make reservations.
11% of library items borrowed were from e-collections <i>Target: 10% 2016: 9% 2015: 8%</i>		The continued upward trend represents the shift away from traditional library business, as more people use online resources and e-reader technology.
Water supply and wastewater		
0.4 dry weather overflows for every 1000 connections to the sewerage system <i>Target: ≤10 2016: 0.45 2015: New</i>		This is a measure of the wastewater network's ability to meet demand.
100% of drinking water met NZ standards <i>Target: 100% 2016: 100% 2015: New</i>		Comprehensive treatment, testing and reporting processes mean we are continually able to achieve this target.
Economic and cultural development		
1,204,433 visitors to Auckland Zoo and Auckland Art Gallery <i>Target: 1,170,000 2016: 1,149,876 2015: 1,183,715</i>		While the zoo was below its individual target due to wet weather and construction, an extremely successful year for the gallery meant the target was achieved.
1074 public performing arts events delivered by Auckland Live <i>Target: 825 2016: 1264 2015: New</i>		We hosted award-winning international productions including Joseph and the Amazing Technicolour Dreamcoat, and Priscilla Queen of the Desert.
\$76 million* contributed to Auckland's economy by major events <i>Target: \$86m 2016: \$43.7m 2015: \$73.1m</i>		With highlights such as the World Masters Games, DHL New Zealand Lions Series and Adele's three concerts, this was an exceptionally successful year for major events. However, we were unable to get an up-to-date measure of economic value at the time of going to print.
Environmental management and regulation		
80% of building consent applications processed within 20 working days <i>Target: 100% 2016: 96% 2015: 98%</i>		A surge of demand leading up to the adoption of the Auckland Unitary Plan along with system issues affected service delivery. Issues are being addressed with control process reviews, the Consenting Made Easy programme and better workforce planning.
4366 dwellings and sites consented towards Auckland housing targets <i>Target: 4,250 2016: 13,935 2015: New</i>		4366 is the number of consents between July and September 2016 when the accord was due to complete.
144kg of domestic waste collected per Aucklanders <i>Target: ≤160kg 2016: 153kg 2015: 152kg</i>		This significant reduction indicates support from Aucklanders for our aspiration for zero waste to landfill by 2040.
66% of stormwater manholes fixed within two hours after popping open in floods <i>Target: 100% 2016: 91% 2015: 100%</i>		The series of extreme weather events led to requests for service exceeding our capacity to respond within the target timeframe.
Governance and support		
10.3% return on equity for Auckland Council Investments Limited <i>Target: 6.8% 2016: 22% 2015: 12.3%</i>		This is a strong result, but does not match 2016, which included asset revaluations by Auckland International Airport and Ports of Auckland.

* This result has been marked as achieved as we estimate that GDP from the DHL New Zealand Lions Series 2017 for games in June to exceed \$10 million.

Ngā mea i oti i a mātou

What we delivered

The following pages contain selected highlights delivered and challenges faced over the past year for each of our service delivery themes. More information can be found in volumes 1 and 2 of the annual report.



Transport

Highlights

- The south New Network went live, with over 300 new bus stops, 39 new bus routes and 180 AT Metro-branded buses delivering a 15 per cent increase in service kilometres.
- A new Simpler Fares system was launched for most bus and train services, making it easier for customers to travel by bus, train or combo, and only pay one fare for the entire journey.
- We opened Ōtāhuhu bus and rail interchange, which incorporates the existing rail station, linking the platform with two new bus platforms and a terminal building.
- Construction began on the Manukau bus station, a 23-bay bus station next to the train station.
- Half Moon Bay ferry pier was opened, improving the connection between south-east Auckland and the central city.
- We delivered \$39.1 million of cycling infrastructure, including Quay Street Cycleway, the first section of the Glen Innes to Tāmaki Drive shared path, and Mt Roskill Safe Route.
- We invested \$209 million in road-related assets renewals including streetlights, footpaths and bridges.

Challenges

- Improving the overall quality of transport in Auckland involves influencing mode share (the percentage of travellers using each type of transportation) by providing and promoting fit-for-purpose options. We try to balance the requirements of each transport mode against the need to reduce overall traffic congestion.
- The scale of growth in Auckland means we cannot build our way out of congestion. We need to optimise the use of the current network, particularly on key routes. This may involve reducing performance in some areas in order to benefit the network as a whole.
- Introducing and communicating changes related to the New Network as it progressively comes into service for all modes of public transport across Auckland.



Ōtāhuhu bus and rail interchange



Auckland development

Highlights

- The Auckland Unitary Plan became 'operative in part' in November 2016, and over half the appeals that prevented the plan from becoming fully operative have now been resolved. This has been the largest planning exercise done in New Zealand.
- Adoption of the Auckland Transport Alignment Project, a joint project involving Auckland Council, Auckland Transport and multiple central government agencies sets out a 30-year transport programme for Auckland.
- We continued to develop our Māori Design work programme, working with mana whenua and mataawaka to promote Māori design outcomes within all major public realm developments.
- In the midst of extensive construction across multiple sites, we enlivened central Auckland with projects such as Griffiths Garden, Shortland Street polka dots and the moa periscope at the Freyberg Square building site.
- We established the Māori Housing Unit within the council to lead the delivery of our Māori Housing Programme.
- We completed consultation and began design work for the Karangahape Road cycling and streetscape enhancements.

Challenges

- Ensuring that land use and infrastructure are planned and developed in a way that supports growth and provides value for money.
- Effectively influencing strategic housing policy at multiple levels, maintaining momentum on the current housing work programme, and developing affordable housing solutions for Auckland.
- Securing funding for transport initiatives identified by the Auckland Transport Alignment Project.
- Increasing the diversity of Aucklanders engaging in the upcoming refresh of the Auckland Plan.



Moa periscope at Freyberg Square construction site



Parks, community and lifestyle

Highlights

- More than 10,000 children aged between five and 13 enrolled in Kia Māia te Whai / Dare to Explore, Auckland Libraries' summer reading programme.
- We held 46 Movies and Music in Parks events which attracted a record 86,000 attendees.
- We established Haumarū Housing as a joint venture with the Selwyn Foundation to manage the council's housing for older people, and improve both the quality of housing and the level of service for tenants.
- We opened community assets such as the final stage of Uxbridge Creative Centre, Stoney Homestead community facility, a youth facility in the old Marlborough Park Hall, and the restored Warkworth Town Hall.
- We reintroduced bird species into regional parks including:
 - ▶ 20 little spotted kiwi and North Island robin (toutouwai) at Shakespear Regional Park
 - ▶ additional takahē at Tawharanui Regional Park
 - ▶ six brown kiwi at Hunua Ranges Regional Park.
- Zion Hill in Birkenhead won bronze in the Public and Institutional Spaces category at the Best Design Awards 2016, and Opaketāi Beach Haven Garden won the Community Design category at the 2017 New Zealand Institute of Landscape Architects Awards.
- There were nine million visits to council-owned pools and leisure centres, up seven per cent on the previous year.
- Albany Stadium Pool opened in January.

Challenges

- Improving the digital literacy and connectedness of Aucklanders, especially where communities are most impacted by services moving online.
- Ensuring we provide grants to applicants for activities that are community-aligned and fit for purpose.
- Managing community demand for new programmes and services as Auckland's population grows.
- Repairing damage to park infrastructure caused by severe weather early in 2017.
- Ensuring there is sufficient open space and recreational facility capacity to meet the needs of developing communities.



Albany Stadium Pool



Movies in Parks at Point England Reserve



Water supply and wastewater treatment and disposal

Highlights

- Planning began for the Northern Interceptor project which involves construction of a new wastewater pipeline to divert flows from Māngere Wastewater Treatment Plant to Rosedale Wastewater Treatment Plant.
- Two sections of the 32km Hunua 4 watermain were brought into service, and planning began on the final section from Newmarket to the Khyber reservoirs. The watermain stretches from Manukau to central Auckland, and will ensure security of water supply and cater for growth.
- The Waikato Water Treatment Plant expansion is increasing the capacity of the existing treatment plant to cater for additional demand arising from growth.
- Huia Water Treatment Plant is reaching the end of its design life and we are working on a replacement project to provide improved treatment processes that will maintain supply and improve levels of service.
- Restoration of Puketutu Island continued using treated biosolids from the adjacent Māngere Wastewater Treatment Plant.

Challenges

- Managing long-term (20- or 50-year) infrastructure plans alongside current development uncertainty caused by planning or consenting processes, market conditions, funding issues and construction sector capacity.
- Extreme weather and other environmental factors can pose a risk to the quality of water supply, and cause damage to infrastructure that requires immediate attention and may have the knock-on effect of delays or funding issues for planned projects.



Māngere Wastewater
Treatment Plant



Economic and cultural development

Highlights

- Auckland hosted nearly 30 major cultural and sporting events that together injected an estimated \$76 million into the regional economy and generated more than 557,390 visitor nights.
- The World Masters Games 2017 was the single biggest event to be hosted in Auckland in a decade. It delivered a GDP injection of \$34.3 million and more than 241,000 visitor nights – both well above target.
- Auckland Tourism, Events and Economic Development (ATEED) successfully delivered festivals to celebrate Auckland's cultural diversity, such as Pasifika, Diwali, Lantern Festival, and Tāmaki Herenga Waka Festival.
- Thousands of people attended two JobFest youth employment events – one in the central city with 80 employers offering more than 800 positions, and one in Manukau with a particular focus on young Māori and Pacific job seekers, offering 1250 jobs across 75 businesses.
- We opened Auckland Zoo's new Strangely Beautiful Australia exhibit, the second project to be completed as part of the zoo's 10-year renewals programme.
- The Māori Portraits: Gottfried Lindauer's New Zealand exhibition at Auckland Art Gallery attracted more than 99,000 visitors, making it the gallery's most-visited exhibition since its reopening in 2011.

Challenges

- The growth potential of Auckland's advanced industries, and major infrastructure development is constrained by the lack of skilled workers, particularly in ICT, engineering, construction, hospitality and tourism. This is being addressed by targeted talented migrant programmes, and initiatives to upskill young people.
- Strong growth in the tourism sector presents infrastructure challenges for Auckland. Hotels reach capacity in peak periods, and our port cannot efficiently accommodate mega cruise ships. ATEED is working with the government to attract foreign investment to enable more hotels to be built. The wider council group is also working on a solution to enable mega cruise ships to dock in Auckland.
- Regional Facilities Auckland is committed to strengthening its brand and achieving sustainable revenue growth in a very competitive market. Efforts to increase revenue must be balanced with the social value of providing free public events.



World Masters Games



Lantern Festival



Auckland Art Gallery's
Gottfried Lindauer exhibition



Environmental management and regulation

Highlights

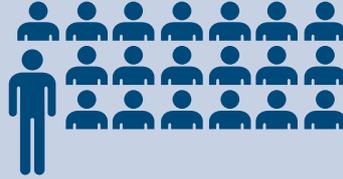
- Eight plan variations were completed this year, resulting in 461ha of land and an estimated 4000 dwelling and sections.
- The NewCore system consolidation programme was successfully rolled out for regulatory services, helping to standardise processes region-wide.
- We continued to roll out regionally consistent kerbside recycling collection services, with the introduction of 240-litre wheelie bins to over 210,000 properties in Rodney, Waitākere, the North Shore and rural Franklin.
- A survey of the community groups we support to carry out pest and weed control revealed volunteers across the region contribute more than 231,000 hours per year and actively control more than 100 weed species.
- Our Sustainable Schools programmes reached two-thirds of Auckland's schools, engaging thousands of students and their communities with the natural world.
- We stepped up kauri dieback control efforts in response to new data showing rates of disease infestation more than doubling in the Waitākere Ranges since 2010.
- We are partnering with Entrust and Vector to deliver the Energy Efficient Communities Project to provide health benefits and financial savings to approximately 1500 homes in Papakura and Takanini.
- Eight local boards invested in industry pollution-prevention programmes that engage with businesses to avoid and reduce the impact of industrial activities on waterways.
- We delivered \$8 million of flood mitigation projects including Madills Farm flood attenuation, Wynyard Quarter local stormwater upgrades, and Wairau Valley flood-protection projects.
- We supported growth in Special Housing Areas by beginning construction on the 1.1km-long Artillery Drive stormwater tunnel and the 2.1km stream system at Takanini Cascades, and completing network upgrades in the Three Kings area.

Challenges

- Attracting high-calibre internal and external planning and specialist staff has been a challenge due to industry demand for technical skills. Loss of council staff to private organisations also poses an ongoing challenge.
- Successfully communicating the introduction of new waste collection services and any potential changes to all residents affected.
- The level of response required to prevent new pest incursions is unpredictable and can have a negative impact on our ability to meet service targets.
- Planning stormwater infrastructure and upgrading existing networks to appropriately support growth in the Auckland region.
- Identifying opportunities to liaise more frequently with mana whenua to ensure our stormwater projects incorporate and protect Māori values.



Croftfield Lane stormwater wetland in Wairau Valley



Governance and support

Highlights

- The Kids Voting project registered 12,730 students from 56 schools to take part in an online voting initiative that mirrored the actual local election. The aim of the project was to improve understanding of local elections for students aged 11 to 15.
- ASB Waterfront Theatre, which receives funding from the council through the Auckland Regional Amenities Funding Act 2008, opened in September 2016. The venue features a 668-seat theatre designed specifically for spoken word and dance, a café and bar, gallery and hosting space, and an outdoor courtyard.
- We continued to expand the range of council services available online. Digitisation of our most common transactions increased from eight per cent in the first quarter of 2016/2017 to 22 per cent in the third quarter.
- Our consultation programme for the Annual Plan 2017/2018 generated 8058 submissions – a 143 per cent increase on the previous year, which included significant increases in the number of responses from Māori, and Pacific and Asian peoples.
- Auckland Council continues to have one of the highest credit ratings in New Zealand – AA (stable) from Standard & Poor's and Aa2 from Moody's. Both ratings were reaffirmed in October 2016. These ratings affect the interest rate the council pays on its debt.

Challenges

- Ensuring that ratepayers are receiving the best value for the money spent on regional facilities and funding.
- Improving the overall understanding of the role of local boards and supporting their decisions to reflect the views and preferences of local communities where possible.
- Maintaining stringent evaluation and prioritisation processes to ensure we are achieving value for money for Aucklanders.
- Strong population growth continues to increase demand on our contact centres, putting pressure on service level targets.



Kids Voting programme

Te whakatutuki hua ki te iwi Māori mō te iwi Māori

Achieving better outcomes with and for Māori

Auckland Council plays an important role in enabling Māori communities to fully contribute to and benefit from Tāmaki Makaurau / Auckland becoming He tāone taioreore nui, tauawhi tāngata i te ao (a world-class and inclusive city).

Whiria Te Muka Tangata / Māori Responsiveness Framework

We have developed Whiria Te Muka Tangata / Māori Responsiveness Framework to assist us with delivering on our commitments and obligations to Māori. Its purpose is to enhance and guide our responsiveness to Māori through:

- the recognition and protection of Māori rights and interests within Tāmaki Makaurau
- addressing and contributing to the needs and aspirations of Māori.

We have committed to significantly contribute to:

- building strong Māori communities through social, cultural, economic and environmental wellbeing



- strengthening the council's effectiveness for Māori by building an empowered organisation
- enabling effective Māori participation in decision-making.

These goals will be achieved by enabling Te Tiriti o Waitangi / the Treaty of Waitangi, valuing te ao Māori, fulfilling our statutory obligations and enabling Māori outcomes. Delivering on these commitments will ensure we play our part in developing 'a Māori identity that is Auckland's point of difference in the world'.

The framework aligns and focuses council departments and activities on a shared vision, and improves reporting and monitoring of how well the council is delivering on this vision. We are supporting all departments within the council to develop Māori Responsiveness Plans outlining how they will deliver on the goals of the framework.

Te Toa Takitini in 2016/2017

Te Toa Takitini is our programme for identifying, investing in, and tracking progress on truly transformational Māori projects.

Through Te Toa Takitini we have delivered the following activities that contributed to achieving better outcomes with Māori.

Celebrating Auckland's Māori identity

- Several council projects that incorporate Māori design thinking have been recognised with national and international awards, including Taumanu Reserve in Onehunga, Kopupaka Reserve in Westgate and Te Oro / Glen Innes Music and Arts Centre.
- In consultation with mana whenua and mataawaka, the council adopted its first policy for the use of te reo Māori. Four bilingual local board plans have been published, and te

reo Māori announcements were installed in the elevators in the central civic building, Te Wharau o Tāmaki / Auckland House. A number of community facilities across the region, such as parks, libraries and pools, have also been named in te reo Māori.

- The council supported significant Māori events including Tāmaki Herenga Waka Festival, Waitangi Day celebrations and Matariki Festival.

The name Te Toa Takitini draws from the whakatauki (proverb):

**Ehara taku toa i te toa takitahi,
engari he toa takitini**

Success is not determined by me alone, it is the sum of the contribution of many

Working with mana whenua to identify, protect, and manage wāhi tapu (sacred ancestral sites and places of significance to Māori)

- The Māori Cultural Heritage Programme seeks to partner with mana whenua to recognise and protect Māori cultural heritage. The council is currently working with 13 groups to progress 267 nominated sites through a series of plan changes to the Auckland Unitary Plan. This will ensure Māori cultural heritage is protected, and appropriate protection and management of sites and places is developed.
- Kingitanga carvings at Auckland Domain were restored and returned to the Pukekaroa site.

Thriving and self-sustaining marae

- The council has provided grants to eight marae organisations which have funded activities such as maintenance and upgrades, and investigations into developing new facilities.

Establish papakāinga throughout Tāmaki Makaurau

- A Māori Housing Unit was established within the council to provide enhanced support to Māori housing and papakāinga projects.
- Panuku Development Auckland has provided development opportunities through the Māori Commercial Relationships Action Plan.
- Māori Land, Māori Purpose Zones and Treaty Settlement provisions became operational in the Unitary Plan.
- The council's Cultural Initiatives Fund provided support to establish papakāinga.

Enable mana whenua kaitiakitanga

- Two regular engagement forums have been established to allow mana whenua an overview of council works.
- The kaitiaki ranger programme, piloted last year in the Hunua Ranges, is currently being designed as a regional approach. Projects involving story-telling, park design, and pā harakeke / flax gardens have allowed mana whenua to be enabled as kaitiakitanga.
- Currently there are eight active co-management/co-governance partnerships that have continued to deliver multiple outcomes and enable mana whenua to exercise kaitiaki.



Māori contribution to decision-making processes

One of the mechanisms to achieve better outcomes with Māori is through participation in our decision-making processes. The following arrangements enable Māori to directly influence decision-making or participate in decision-making processes.

Regional governance	<ul style="list-style-type: none"> • Two Independent Māori Statutory Board members on 16 governing body committees • Māori membership on advisory panels – Seniors Advisory Panel, Rainbow Community Advisory Panel • Two Māori trustees on the Regional Arts Trust and three Māori trustees on the Community Education Trust Auckland (COMET) • Establishment of Mana Whenua Kaitiaki forum
Local governance	<ul style="list-style-type: none"> • Māori engagement on the Manukau Harbour Forum • Māori contribution to local board decision-making project • Māngere Mountain Education Trust – one council-appointed Māori trustee and two mana whenua-appointed Māori trustees
Council-related governance arrangements	<ul style="list-style-type: none"> • Eight co-governance and co-management arrangements between council and mana whenua organisations • Appointment of seven Māori commissioners to the pool of independent hearing commissioners • Māori representation in the Port Future Study • Seven Māori appointments to the six substantive CCO boards • One Māori appointment to the Tāmaki Redevelopment Company • Five mana whenua / Auckland Council chief-to-chief governance relationship agreements signed
Organisational arrangements	<ul style="list-style-type: none"> • Kaitiaki forums – Auckland Council departments, Auckland Transport/NZTA, Panuku Development Auckland, Watercare Services • Collaborative partnering/co-design of projects for delivery • Participation and engagement on multiple projects and processes across the organisation • Capacity funding agreements completed with 19 mana whenua • Te Waka Anga Mua ki Uta – Māori Responsiveness and Te Tiriti o Waitangi department restructured

Māori contribution to decision-making processes

The following table summarises some of our Māori transformational and co-governance activities from the past year, and includes a reference for where to find more information in volumes 1 and 2 of the annual report.

Activities	More information
We finalised a current state report for the Early Years Tamariki Māori project.	Regional planning
We conducted a Māori housing policy investigation, and prepared a draft Māori Housing Programme Action Plan for approval.	
Ongoing development and implementation of the Māori design work programme, including working with mana whenua and mataawaka.	
We established the Māori Housing Unit within the council and developed a Māori Housing Programme.	
More than 220 people enrolled on our Māori and Pasifika Trades Training infrastructure and construction courses.	
Mana whenua have nominated 267 new Māori sites, places and landscapes of significance for evaluation.	Local planning and development
Matariki / Māori New Year and Te Wiki o Te Reo Māori / Māori Language Week were celebrated with events at libraries across Auckland.	Regional community services
Waitangi Day celebrations held across the city were well attended.	
Auckland Libraries' digitisation programme this year included the addition of 4000 pages of Māori manuscripts.	
Massey Library made stronger connections with Māori through the Massey Māori Market.	Local community services
The Tūpuna Maunga Authority developed the Tūpuna Maunga Authority Operational Plan 2017-2018, and resolved to make changes to vehicle access to the tihi (summits) of five tūpuna maunga.	Regional parks, sport and recreation Regional governance
Ngāti Whātua Ōrākei Reserves Board adopted the Pourewa Creek Recreation Reserve Management Plan.	Local parks, sport and recreation

Activities	More information
We delivered Tāmaki Herenga Waka Festival to showcase Māori history, heritage and contemporary culture.	Economic growth and visitor economy
We launched the BuildAKL youth recruitment campaign to address construction industry skills shortages, with a focus on Māori and Pasifika populations.	
Auckland Live and Ruia Taitea Creative delivered the Herald Theatre's first ever full-length performance presented in te reo Māori.	Regional facilities
We are working with marae to divert waste from landfills through the Para Kore ki Tāmaki initiative.	Solid waste and environmental services
The Regional Pest Management Plan discussion document was a finalist in the Ngā Tohu Reo Māori / Māori Language Awards local government category.	
We drew on matauranga Māori / traditional Māori knowledge as part of our efforts to step up the control of kauri dieback disease.	
Auckland Council partnered with mana whenua to reintroduce North Island brown kiwi into the Hunua Ranges.	
We partnered with mana whenua to enable several projects were delivered in partnership with mana whenua to enable kaitiakitanga and the protection and restoration of native habitats.	Local environmental management
Te Poari o Kaipātiki ki Kaipara / Parakai Recreation Reserve Board drafted a reserve management plan, and resolved to revert to the traditional name Kaipātiki to replace Parakai Reserve.	Regional governance
We encouraged Ports of Auckland and Auckland Film Studios, which are both wholly owned by Auckland Council, to develop knowledge of and support the council's policies and contribution to Māori wellbeing.	Investment

Ō mātou tautoko tikanga tokonga roa Our commitment to sustainability

Auckland Council's commitment to sustainability is about providing long-lasting positive outcomes for our environment, communities and economy. Major infrastructure projects present the ideal opportunity to draw all these threads together and deliver results that benefit Auckland now and in the future.

City Rail Link

The City Rail Link (CRL) will be a showcase for incorporating sustainability principles into a large-scale infrastructure project. The focus is on minimising the use of materials, energy and water, striving for zero waste to landfill, and targeting an 'Excellent' Infrastructure Sustainability rating. The project will also support local economic development by identifying opportunities for training and employment. Highlights so far include:

- favouring mains electricity over diesel generators



Participants in the Te Auaunga / Oakley Creek youth training programme

- salvaging material from the de-construction of Britomart to use when the station is rebuilt
- specifying materials with lower emissions manufacturing processes
- supporting the transformation of a vacant lot into a temporary community garden until the site is required in the later stages of the project.

When complete, the CRL will open up more parts of Auckland to sustainable and efficient public transport, reducing reliance on private vehicles.

Te Auaunga / Oakley Creek

Originally just a stormwater improvement project, the restoration of Te Auaunga / Oakley Creek has developed into an opportunity to radically improve the environment and social wellbeing of the Mt Roskill area.

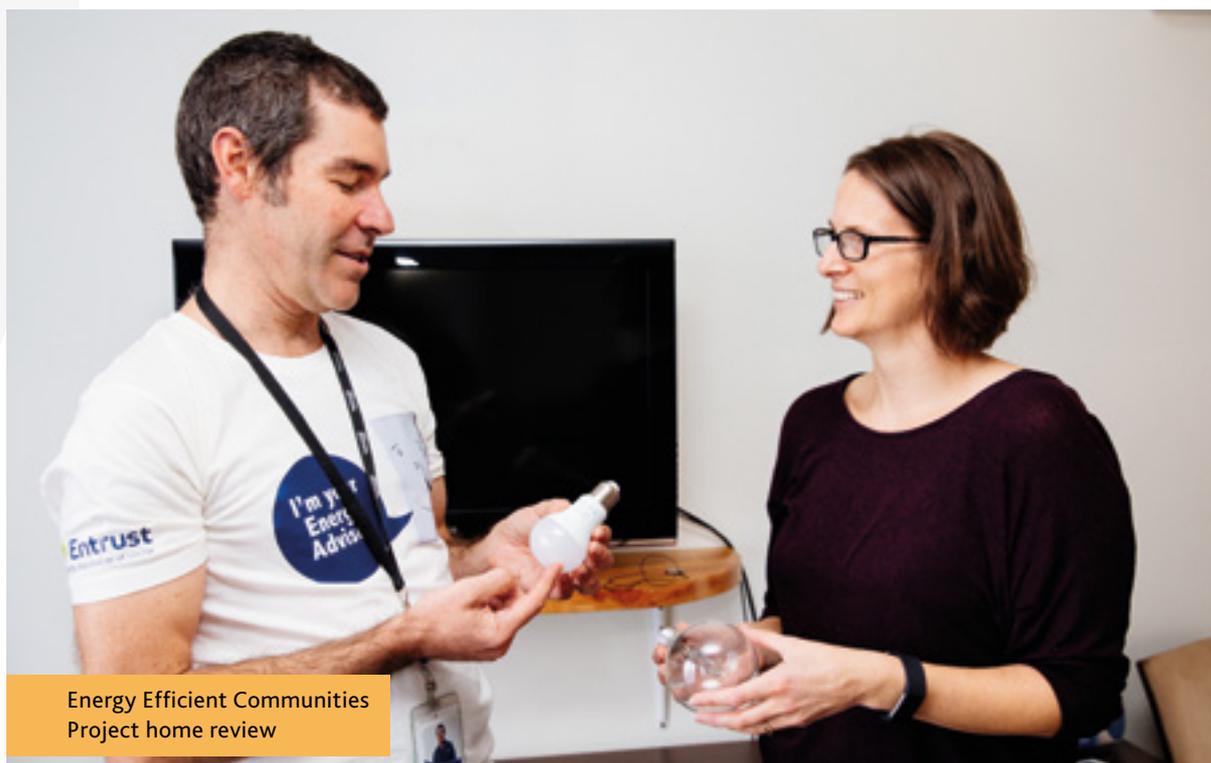
The community has been extensively engaged in the planning process, and the scope of the project includes not just flood mitigation aspects, but

new cycle paths, walking trails, play spaces, a community fale, outdoor classes, and a beginners' BMX track in the reserves bordering the creek.

Puketāpapa Local Board funded a youth training programme at Unitec covering construction, driver licensing and traffic control which resulted in eight students being employed on the project. There is also a plan to create a nursery at Wesley Intermediate School to provide training and employment opportunities and supply native plants for the project.

Low Carbon Auckland

Our Energy Resilience and Low Carbon Auckland Action Plan sets out the first stage of Auckland's transformation toward a better, brighter low-carbon future. Here's an overview of the progress made on each of the plan's focus areas in 2016/2017. For more information visit aucklandcouncil.govt.nz/lowcarbon



Energy Efficient Communities
Project home review

Transforming the way we travel

- Over 14.2km of cycleways were built, including Quay Street Cycleway, the first stage of the Glen Innes to Tāmaki Drive Shared Path, Mt Roskill Safe Routes between Mt Roskill and the Manukau Harbour, Sandringham Road Extension shared path, and West Coast Road shared path.
- The Walking School Bus programme provided safe, accompanied journeys to school for 4306 children, and developed 110 new routes.

Transforming the way we use and generate energy

- We are partnering with Entrust and Vector to deliver the Energy Efficient Communities Project to provide insulation and energy efficiency improvements to 1500 homes in Papakura and Takanini.
- Tesla Powerwall rechargeable energy storage technology is being installed in 12 schools and community facilities in the Ōtara-Papatoetoe Local Board area.

Transforming our built environment and green infrastructure

- The Croftfield Lane wetland restoration in Wairau Valley created a functional

stormwater asset that also incorporates community amenities.

- Work is continuing on the restoration of Puketutu Island using treated biosolids from the adjacent Māngere Wastewater Treatment Plant.

Transforming to zero waste

- Devonport Community Recycling Centre diverted from landfill 61 per cent of all material received in its first year of operation.
- McLaren Park and Henderson South Community Trust created six full-time-equivalent jobs at Waitākere Refuse and Recycling Station.
- We are working with 26 Auckland marae on the Para Kore ki Tāmaki zero waste initiative, with the most successful marae achieving up to 70 per cent diversion from landfill.

Transforming forestry, agriculture and natural carbon assets

- The mayor launched the Million Trees programme to plant one million predominantly native trees and shrubs across Auckland over three years.
- Sea Change - Tai Timu Tai Pari / the Hauraki Gulf Marine Spatial Plan was completed, setting out how the gulf's natural, productive and recreational values will be protected and enhanced.

Auckland Council is continuing to fully participate in the international C40 Cities Climate Leadership Group to deliver pragmatic and positive changes to its service delivery by incorporating new approaches, technologies and tested best-practice from the network of member cities.



Quay Street Cycleway

Te āhua mahi a te Kaunihera o Tāmaki Makaurau

How Auckland Council works

Auckland Council was established in 2010 as the result of a merger of the seven territorial authorities and one regional council that covered the region.

Responsibilities

The Local Government Act 2002 states that the purpose of local government is:

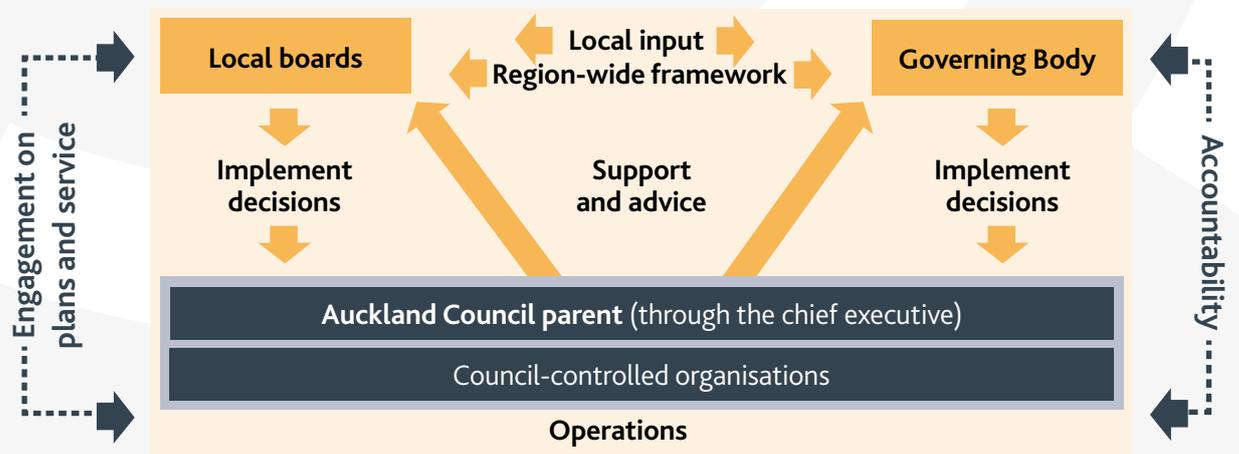
1. to enable democratic local decision-making and action by, and on behalf of, communities
2. to meet the current and future needs of communities for good-quality local infrastructure, local public services and performance of regulatory functions in a way that is most cost-effective for households and businesses.

Auckland Council's role combines the areas usually associated with both regional councils and

territorial authorities. As such, the council has a wide range of responsibilities, including:

- local roads
- water reticulation
- sewerage
- refuse collection
- libraries
- parks and recreation services
- local regulatory services including building control and resource consents
- community and economic development
- town planning
- environmental resource management
- flood control
- air and water quality
- pest control
- public transport
- regional parks
- bulk water supply.

Governance and decision-making



The following pages include more detail on the functions of each part of the council's structure.

Te kāwanatanga me te whakatauranga kaupapa

Governance and decision-making

Elected members

Auckland Council's governance structure consists of two complementary decision-making parts – the Governing Body and the local boards. This structure is designed to:

- enable elected members to perform their regional and local governance roles effectively
- enable effective regional and local decision-making that promotes the wellbeing of Aucklanders
- ensure the democratic process operates smoothly and includes participation by the public, mana whenua and all stakeholders.

Local government elections are held every three years. The last election was 8 October 2016, with the new council term beginning on 1 November 2016.

Governing Body

The Governing Body consists of the mayor (elected by all voters), and 20 councillors (elected by voters from the 13 wards they represent). The Governing Body operates on a committee basis, focusing on the big picture and strategic initiatives that are relevant to the whole Auckland region.

A list of Governing Body members can be found in Volume 1: Overview and service performance.

The mayor appoints the deputy mayor from among the councillors, and establishes the committees of the Governing Body and their chairpersons.

The mayor

The mayor's responsibilities include:

- promoting a vision for Auckland
- providing leadership to achieve the vision
- leading development of region-wide council plans, policies and budgets
- ensuring effective engagement with all Aucklanders.

Committees

The Governing Body meets as a whole, generally for the purposes of approving major legislative or strategic matters, and adopting significant policies.

There are also three committees focusing on specific themes that the mayor and all councillors are members of, as well as two representatives from Independent Māori Statutory Board. These committees of the whole are:

- Environment and Community Committee
- Finance and Performance Committee
- Planning Committee.

The other committees, which concentrate on more focused areas and report to the committees of the whole, are:

- Appointments and Performance Review Committee
- Audit and Risk Committee
- Civil Defence and Emergency Management Committee
- Community Development and Safety Committee
- Regulatory Committee
- Strategic Procurement Committee
- Auckland Domain Committee.

Local boards

The 21 local boards each have between five and nine members, elected by voters who live in the area they represent. The local boards hold monthly public meetings, and may hold additional meetings to address specific topics.

Local boards are responsible for:

- providing leadership and creating a local identity for their area, including making governance decisions on non-regulatory local activities, issues and services such as parks, libraries, community halls and swimming pools
- adopting local board plans every three years in consultation with their communities
- providing local input into regional strategies, policies and plans
- proposing local bylaws for their area
- performing civic duties such as Anzac Day activities and citizenship ceremonies
- engaging with and representing their communities.

Local boards and the Governing Body make annual individual local board agreements, which set out the local activities and levels of service that will be provided in each local board area during the year. The agreements are included in the council's annual budget.

A list of local boards and members can be found in Volume 2: Local boards.

Independent Māori Statutory Board

The Independent Māori Statutory Board (IMSB) is an independent board established by the Local Government (Auckland Council) Act 2009 to:

- promote cultural, economic, environmental and social issues of significance for mana whenua (Māori with ancestral relationships in certain areas of Auckland where they exercise customary authority) and mataawaka (Māori living in the Auckland region whose ancestral links lie outside the region)
- ensure the council acts in accordance with statutory provisions referring to Te Tiriti o Waitangi / the Treaty of Waitangi. The board must identify issues significant to Māori and give priority to each issue, to guide the board in carrying out its purpose
- advise the council about issues that affect Māori in Auckland.

Advisory panels

Nine advisory panels provide the council with input on relevant issues and support for engaging with the groups and communities they represent.

- Auckland City Centre Advisory Board
- Disability Advisory Panel
- Ethnic Peoples Advisory Panel
- Heritage Advisory Panel
- Pacific Peoples Advisory Panel
- Rainbow Communities Advisory Panel
- Rural Advisory Panel
- Seniors Advisory Panel
- Youth Advisory Panel.

Community engagement

Auckland Council seeks information about the views and preferences of Aucklanders and uses this information when developing plans, policies and budgets.

Engagement may be formal or informal, take place in person, online or on paper, and relate to a particular project or be part of a long-term dialogue.

These conversations help the council to make better decisions that reflect the aspirations of our stakeholders and communities, including Māori residents and ratepayers, and encourage confidence in what the council does.

However, there are ongoing challenges to ensure we reach and receive feedback from a demographically representative sample of Auckland's population, and the council is constantly seeking ways to improve how we communicate with Aucklanders and get their input into our decision-making

Co-governance

Largely as a result of Te Tiriti o Waitangi / the Treaty of Waitangi settlement legislation, Auckland Council is party to a number of co-governance entities with different mana whenua groups.

- The Ngāti Whātua Ōrākei Reserves Board was continued under the Ngāti Whātua Ōrākei Claims Settlement Act 2012. Three of the six members are council appointees – two councillors and one local board member.

- Te Poari o Kaipātiki ki Kaipara (formerly the Parakai Recreation Reserve Board) was established under the Ngāti Whātua o Kaipara Claims Settlement Act 2013. Three of the six members are council appointees.
- The Mutukaroa (Hamlins Hill) Management Trust was established in 1996. Two of the six members are council appointees.
- Te Motu a Hiaroa (Puketutu Island) Governance Trust was established in 2013. Four of the 12 members are council appointees and four are appointed by Watercare. The remaining four members are appointed by three separate iwi groups.
- Tūpuna Maunga o Tāmaki Makaurau Authority (the Maunga Authority) is the statutory authority established under Ngā Mana Whenua o Tāmaki Makaurau Collective Redress Act 2014 to co-govern our tūpuna maunga (ancestral mountains). The authority is comprised of six representatives from Ngā Mana Whenua o Tāmaki Makaurau and six representatives from the council (three Governing Body members and three local board members), along with Crown (non-voting) representation.

Other entities

The Hauraki Gulf Forum is a special joint committee of the council that promotes and facilitates integrated management, protection and enhancement of the Hauraki Gulf / Tikapa Moana / Te Moananui a Toi under the Hauraki Gulf Marine Park Act 2000. It has 21 members – five Auckland councillors, two local board members from Hauraki Gulf islands, and representatives of tangata whenua, central government and Waikato councils.

Auckland Domain Committee is a joint committee of councillors and Waitemata Local Board members that has decision-making responsibility for parks, recreation and community services and activities in Auckland Domain.

Changes

Following the October 2016 election, the new mayor, councillors and local board members were sworn in for the 2016-2019 council term.

The mayor established a new committee structure for the Governing Body (see Committees on page 45).

Te tuapapa whakahaere

Operating structure

Auckland Council staff support the Governing Body and local boards by providing advice, implementing decisions and delivering services.

Auckland Council organisation

Auckland Council organisation (also known as Auckland Council parent) is responsible for the majority of local government services in Auckland. It is led by the chief executive, with support from an executive team. For more information about the operation and structure of Auckland Council organisation see pages 43 to 47.

Council-controlled organisations

Council-controlled organisations (CCOs) look after specific council assets, infrastructure or activities on behalf of the council. They operate independently and are managed by an independent board of directors or trustees, but with accountability to the council. The council appoints all voting directors/trustees on the boards of its six substantive CCOs as it is the 100 per cent owner.

The overall direction for CCOs is set in line with the Auckland Plan, the long-term plan and the CCO Accountability Policy. The Appointments and Performance Review Committee appoints directors/trustees and approves policies relating to the boards of directors of CCOs.

CCOs enable the council to manage assets and services efficiently using specialist expertise. The independent boards of directors / trustees operate at arm's length from the council, but are still accountable to the council which agrees on the objectives and targets established in the statements of intent (SOI) for each CCO. The Finance and Performance Committee agrees the SOIs each year and monitors CCO performance half-yearly. Each year, the public can provide input to each CCO board's consideration of its SOIs at meetings the CCOs must hold in public.

Substantive CCOs

A substantive CCO is either responsible for the delivery of a significant service or activity on behalf of the council, or owns or manages assets with a value of more than \$10 million. We currently have six substantive CCOs.

- Auckland Transport provides all of Auckland's transport requirements, including roads and footpaths, traffic signals, management of bus and train services, and parking (but excluding state highways and motorways).
- Auckland Council Investments Limited manages the council's investments in Ports of Auckland Limited and Auckland Film Studios Limited, and a large shareholding in Auckland International Airport Limited with the aim of securing a good economic return for the benefit of ratepayers.

- Auckland Tourism, Events and Economic Development Limited promotes economic performance and growth, including managing tourism initiatives and major events that attract visitors and revenue.
- Panuku Development Auckland Limited partners with the private sector and other stakeholders, including other CCOs, to redevelop nominated town centres, including the central waterfront. These redeveloped locations will accommodate more housing and commercial development. It also manages the council's commercial property portfolio.
- Regional Facilities Auckland manages major arts, culture, heritage, leisure, sport and entertainment venues, and facilitates significant events.
- Watercare Services Limited provides water supply and wastewater treatment and disposal services.

Other CCOs

Three smaller CCOs are required to meet the governance requirements of the Local Government Act 2002 (LGA 2002), including the provision of annual Statements of Intent and half-yearly reports:

- Community Education Trust Auckland (COMET Auckland)
- Māngere Mountain Education Trust
- The Contemporary Art Foundation.

The following CCOs are exempt from the LGA 2002 requirements, but still report on the achievement of financial and non-financial outcomes:

- Arts Regional Trust
- Highbrook Park Trust
- Te Puru Community Charitable Trust
- Manukau Beautification Charitable Trust
- Mount Albert Grammar School Community Swimming Pool Trust
- Te Motu Hiaroa (Puketutu Island) Governance Trust
- Downtown Marinas Limited
- Westhaven Marinas Limited
- Westhaven (Existing Marinas) Trust
- Westhaven (Marina Extension) Trust
- Watercare Harbour Clean-up Trust.

Te kāwanatanga ā-roto

Internal governance

Auckland Council operates based on principles of accountability and transparency. We have a framework of procedures and policies to govern the conduct of staff and elected members, and to ensure our compliance with legislation and NZX exchange listing rules.

Transparency

All council committee and local board meetings are open to the public (except where legally, commercially or personally sensitive information is under discussion), and meeting agendas and minutes are published on the council's website. Additionally, key committee meetings are streamed live via the council's website.

The council proactively publishes on its website information of interest to the public, including details of the council's performance against targets, spend, procurement activity and staff numbers.

The council fully complies with its obligations under the Local Government Official Information and Meetings Act (LGOIMA) 1987 and Privacy Act 1993 to make additional information available to members of the public when requested. The council also publishes on its website responses to LGOIMA requests that may be of interest to the general public.

Risk management

The council has a risk-management framework designed to identify and control potential risks to the council group. This is enabled through the integration of risk management practices in day-to-day management.

The Audit and Risk Committee and senior staff provide guidance on the council's risk appetite and tolerance. Key staff are trained in risk management, including identification, analysis, evaluation and treatment of risks. There is a continuous process of escalation, monitoring and reporting of risks, and regular interface with other teams such as Internal Audit; Financial Control; Health, Safety and Wellbeing; and Legal.

The principles and guidelines used for risk management are based on AS/NZ ISO 31000:2009.

Internal Audit

The council's Internal Audit team provides independent assurance to the Audit and Risk Committee and chief executive that risk management controls are operating in an efficient, effective and ethical manner.

The team works to reduce the risk of error, waste, theft and fraud through:

- financial and operational assurance
- probity oversight for projects, procurement and contracts
- legislative compliance
- ethics and integrity
- conflict of interest management.

The council also has a policy to encourage and manage the reporting of misconduct in line with the Protected Disclosures Act 2000.

Financial accountability

All council staff are subject to a range of policies relating to areas such as procurement, purchasing, payments and reimbursements. These policies set out rules and expectations for appropriate use of council funds, and requirements for disclosing conflicts of interest.

The Treasury Management Policy sets out how the council manages borrowings, investments and related risks. To ensure adherence to the policy, the treasurer reports monthly to the Treasury Management Steering Group and quarterly to the councillors.

A Continuous Disclosure Committee is responsible for ensuring the council complies with its continuous disclosure obligations in respect of bonds quoted on the NZX and other overseas exchanges under the listing rules and the Financial Market Conduct Act 2013.

Planning and reporting

Auckland Council has an extensive and open planning regime which includes the requirement for annual, 10-year and 30-year plans to be released for public consultation before adoption. The 10-year plan must also be audited.

We are also required by legislation to operate a prudent financial management framework that minimises risk and measures performance in relation to benchmarks for:

- rates affordability
- debt affordability
- a balanced budget
- essential services
- debt service
- debt control
- operations control.

We publicly release regular financial and performance update reports via council committees, and produce six-monthly and annual financial statements that are compliant with public sector reporting standards. Six-monthly statements are reviewed and annual statements are audited by Audit New Zealand on behalf of the Office of the Auditor-General, and the respective review and audit opinion are signed by the Deputy Auditor-General.

See pages 57 to 67 and Volume 3: Financial statements for more information about our financial policies.

Te rōpū o te Kaunihera o Tāmaki Makaurau Auckland Council organisation

This section relates to the Auckland Council organisation. Similar information about the council-controlled organisations can be found in their individual annual reports which are published online.

Leadership



Chief Executive
Stephen Town

Responsible for leading the council's direction and service delivery.



Finance is led by Group Chief Financial Officer Sue Tindal and is responsible for:

- financial strategy, planning and policy
- treasury
- transaction services
- financial accounting
- corporate property
- procurement
- information services.



Planning is led by Chief of Strategy Jim Quinn and is responsible for development of plans and strategies to guide the spatial and community development of Auckland.



Legal and Risk is led by director James Hassall and is responsible for legal services and risk management.



Transformation and People and Capability are led by director Patricia Reade and are responsible for customer services, management of organisational change and development, human resources, and health and safety.



Governance is led by director Phil Wilson and is responsible for:

- advice and support for elected and appointed members
- advice, relationship management and support for CCOs
- ensuring delivery of our commitments to Māori
- internal auditing.



Operations is led by Chief Operating Officer Dean Kimpton and is responsible for public-facing projects and services including:

- community services
- regulatory services
- infrastructure and environmental services
- civil defence and emergency management
- community facilities.



Communication and Engagement is led by director Karl Ferguson and is responsible for internal and external communication projects and strategies, market research, consultation and engagement.



Community Services is led by director Ian Maxwell and is responsible for parks, sport and recreation services, libraries, and arts and events.



Regulatory Services is led by director Penny Pirrit and is responsible for building control, licensing and compliance, and resource consents.



Infrastructure and Environmental Services is led by director Barry Potter and is responsible for major infrastructure development, environmental management, stormwater and solid waste.

Strategy and performance

Auckland Council aspires to be a trusted and fit-for-purpose organisation with a talented workforce delivering exceptional services in a cost-effective way, and providing quality advice and expertise to our decision-makers.

To ensure we can effectively manage projected growth and improve services, the council's executive team has created a three-year performance plan that details goals and prioritises resources. It also shows how we will measure progress, using six outcomes to show whether we are meeting the expectations of Aucklanders, elected members and staff.

Our three-year outcomes

1. Our citizens have a strong voice and are key in shaping Auckland.
2. Elected members are better supported to make high-quality decisions for Auckland.
3. We get the job done faster, more conveniently and at lower cost for customer, community and citizens.
4. Our high performing, inclusive and safe workforce serves a diverse and changing Auckland.
5. General rates burden decreases as non-rates revenue share of total revenue grows.
6. We do more with less without compromising service and the customer experience.

When council departments develop their annual work programmes, they are required to show how each planned initiative will contribute to one or more of the outcomes which ensures the entire organisation is focused on contributing to the strategy.

The full performance plan is available online at aucklandcouncil.govt.nz/performanceandtransparency

People

A focus of our organisational strategy is building a high-performance culture for our staff which means having a healthy and engaged workforce that has the capacity and capability to deliver on the organisation's performance place.

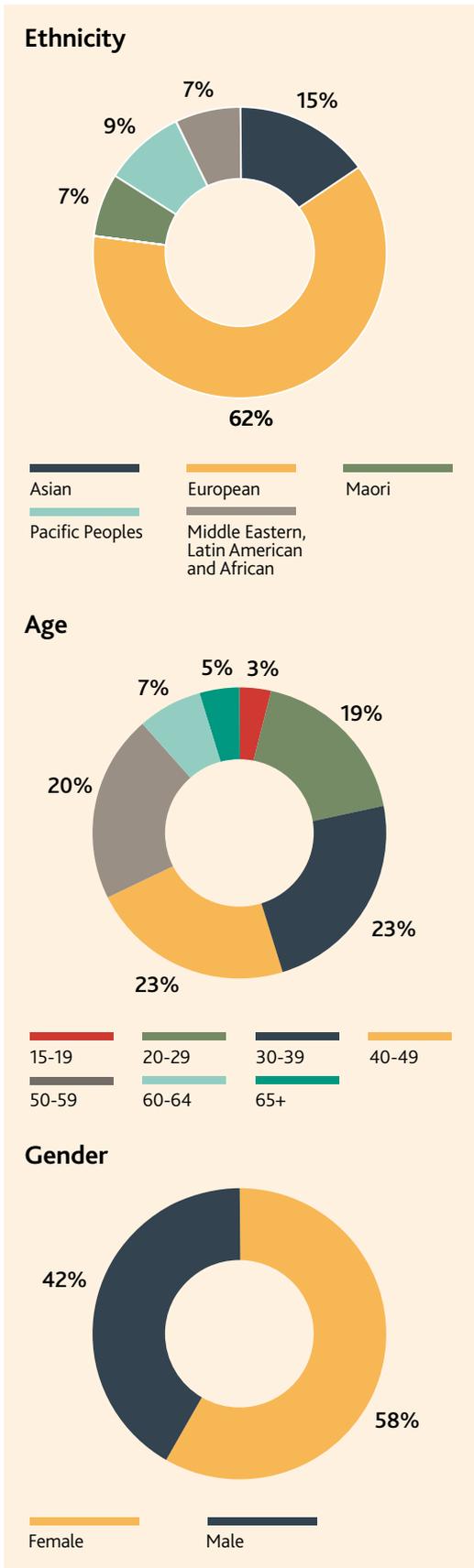


Number of employees

The council carefully considers the size of its workforce, balancing the need to respond to growth with the goal to do more with less. As of 30 June 2017, Auckland Council (excluding CCOs) had 6091 full-time equivalent employees, 11 fewer than the previous year.

This number reflects increases in some departments that experienced additional service demand, such as customer services and consenting, balanced by reductions in other back-office support functions.





Workforce diversity

The profile to the left is based on information self-reported by staff.

Health, safety and wellbeing

Our goal is to embed legislation and policy, and focus on improving health and safety culture.

Following on from legislation change last year we continued our work to embed health and safety into the organisation, most notably with the launch of our Health and Safety Strategy, and Safety Management Framework.

We also launched Risk Manager, our platform for reporting all health and safety incidents and near misses, and tracking corrective actions.

One way we measure the success of our health and safety processes is lost time injury frequency rate (LTIFR) which is the number of injuries resulting in lost work time per one million hours worked. This year our LTIFR was 3.32, better than the previous year but still above our target of 2.25. While this gives us confidence that we're on the right track, we can do better and we're making health and safety a priority for all departments in the coming year.

Community days

Every year, all permanent employees are entitled to take one day of work as a community day, to be used in support of a local community or volunteer organisation. In 2016/2017, staff used 1267 days for a variety of activities including tree planting and community education.

Career development

Our programmes for graduates, interns and cadets offer the opportunity for people who are finishing study and entering the workforce to gain experience in their chosen field and develop into specialists with the potential to lead Auckland in the future. In 2016/2017, we hired 50 graduates, 30 interns and 17 cadets.

Tirohanga whānui ki te whakahaere pūtea

Financial performance overview

The following pages provide a summary of financial performance for Auckland Council Group (the group) for the year ended 30 June 2017. The group consists of the council and its controlled entities.

Financial performance

The group had sound financial performance over the year, with an operating surplus before gains and losses of \$340 million against \$250 million in the prior year.

Total revenue excluding other gains of \$4,129 million was ahead of the annual budget forecast of \$3,969 million by \$160 million.

Revenue included rates of \$1,641 million, which is generally in line with the annual budget of \$1,637 million.

Revenue is higher against budget by \$160 million mainly due to the following:

- higher volume of vested infrastructure assets received than budgeted (\$178 million)
- favourable results on other revenue (\$29 million) mainly driven by higher than expected:
 - ▶ rental income of various council-controlled organisations (\$12 million)
 - ▶ Infrastructure Growth Charge by Watercare (\$8 million) due to growth in developments during the year
 - ▶ dividend income from diversified financial assets (\$5 million)

- ▶ income from AT Hop card sales and other commercial activities (\$4 million).

The above favourable results are partly offset by the following:

- lower capital grants received from New Zealand Transport Agency (\$40 million) for transport infrastructure due to capital projects being behind budget
- lower than expected public transport income and parking fees received by Auckland Transport (\$12 million).

The remaining variance is driven by net favourable variances which are not individually material.

Total expenditure, excluding other losses, of \$3,789 million was higher than the annual budget of \$3,667 million by \$122 million. This is mainly due to an increase in employee benefits; a change in assumptions for the council's weathertightness provision; the impact of a change in discount rates; and full recognition of the Eden Park Trust Board financial guarantee.

The increase in employee benefits is primarily driven by the recognition of a \$18 million leave entitlement provision in compliance with the Holidays Act 2003, unbudgeted redundancy costs of \$11 million for the council as a result of restructuring across various departments, and unbudgeted labour costs and annual leave provision totalling \$11 million at Regional Facilities Auckland and Ports of Auckland.

The weathertightness provision has increased by \$30 million driven by greater clarity around the cost of repairing some of the known multi-unit dwelling claims and refinements in the assumptions used in estimating reported and unreported provisions. The group has also determined that risk-free rates, as opposed to the council's cost of funding rate, appropriately represented the risks specifically related to time value of money which resulted in a discount rate change of \$34 million.

During the year, the council recognised a provision of \$29 million in relation to its financial guarantee and community loan to the Eden Park Trust Board. The council is listed as a guarantor to loan arrangements for the Eden Park Trust Board to support its borrowings with ASB Bank Limited.

Financial position

The group's net assets have increased by \$2,124 million, largely driven by the group's investment in capital projects during the year, amounting to \$1,660 million, to expand and renew community and infrastructure assets to prepare for growth in the region.

During the year, a number of asset classes were revalued. The revaluation gain largely comprised increases in roading of \$1,385 million and other operational assets of \$83 million.

Funding our capital programme

Capital expenditure for the group was \$1,660 million (2016: \$1,390 million), representing 85 per cent of the budgeted programme. It was primarily funded from operating cash flow, cash reserves and debt. Funding comes from three main areas.

Investment type	Primarily funded by
Building and purchase of new assets	Borrowing
Renewal of existing assets	Rates revenue
Additional assets and infrastructure to accommodate growth	Development contributions

Prudent borrowing

We consider the most equitable way to fund capital investment is with debt. This ensures that the cost of assets are timed with the rates income from future generations of ratepayers who will receive the benefits from these assets. However, we must ensure affordability for both current and future ratepayers especially in the event of financial instability in the global markets.

We have adopted a set of three prudential limits to ensure borrowings and interest expense do not grow too large relative to rates and other revenue. These are agreed by the council's Governing Body as part of the Long-term Plan 2015-2025.

Prudential limits	Risk limit	Actual 2017	Actual 2016
Net debt to total revenue	275%	199%	195%
Net interest to total revenue	15%	10%	10%
Net interest to annual rates income	25%	18%	18%

These prudential limits and our large asset base contribute to the council continuing to have one of the highest credit ratings in New Zealand (AA from Standard & Poor's and Aa2 from Moody's, both on stable outlook). Both ratings were reaffirmed in October 2016.

We also prudently manage the council's exposure to interest rate changes by fixing the interest rate on a portion of the council's current and future borrowings. While this provides a high degree of protection in the short-to-medium-term, over the longer term there is a risk that interest rates will be higher than we have projected over the next 10 years. In this event decisions could be made to reduce capital expenditure, reduce service levels in some areas, sell additional surplus assets, find additional efficiency savings and/or increase rates or other revenue. We monitor and review our projected future interest expense each year through our annual and long-term planning processes.

Group borrowings

Total group debt, net of cash and cash equivalents as at 30 June 2017 was \$7,969 million, an increase of \$486 million compared to \$7,483 million as at 30 June 2016. Debt is \$466 million below budget, primarily due to lower investment in capital assets than budgeted.

The council's borrowings are subject to the liability management policy, and the revenue and financing policy set out in the Long-term Plan 2015-2025 (LTP). There are three key risks around the group's borrowings – interest rates, liquidity, and funding and refinancing.

Interest rate risk is the risk that the group is exposed to adverse changes in interest rates which will result in net financing costs exceeding annual budget or LTP forecasts.

Interest rate risk is managed by matching the interest rate profile of financial assets and liabilities, through fixed rate borrowing and using interest rate derivatives.

Liquidity risk is the risk that the group will encounter difficulty raising funds to meet its commitments as they fall due and is managed by maintaining adequate liquid assets and bank standby facilities, and having a range of funding sources available.

Interest rate risk and liquidity risk are explained more fully in Volume 3: Financial statements, section E financial risk management.

Debt maturity profile as at 30 June 2017

The debt maturity profile below shows the time period when financial instruments will cease to exist and when the principal is due to be repaid with interest.

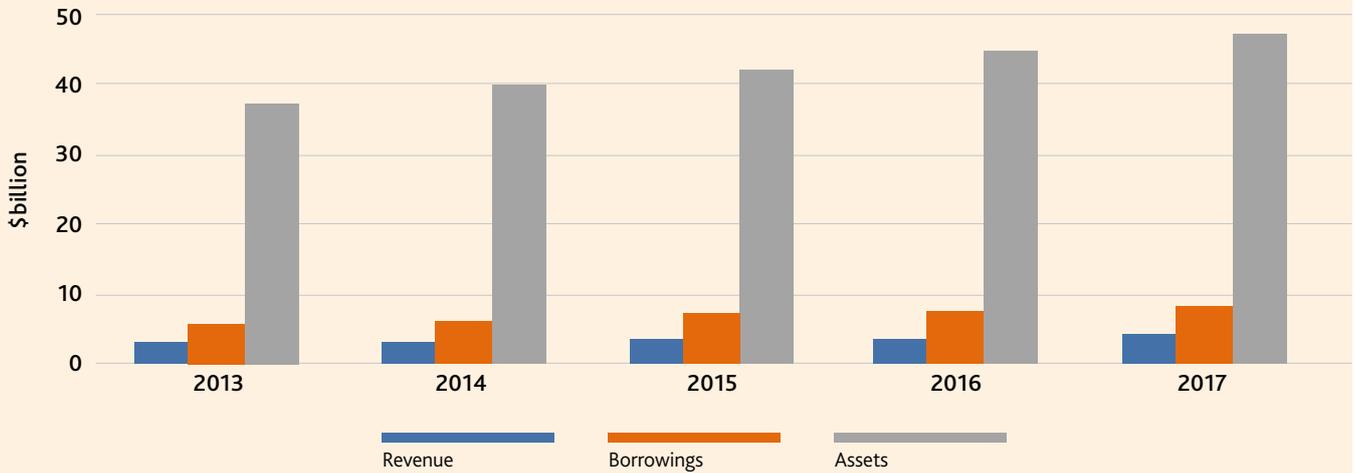


Funding and refinancing risk is the risk that the council will not be able to take on new borrowings when required. The group manages funding and refinancing risks through borrowings from a range of domestic and international lenders. This enables the group to spread its funding sources, borrow for longer periods to better match the timing of funding for new assets, and to choose markets delivering the most competitive rates.

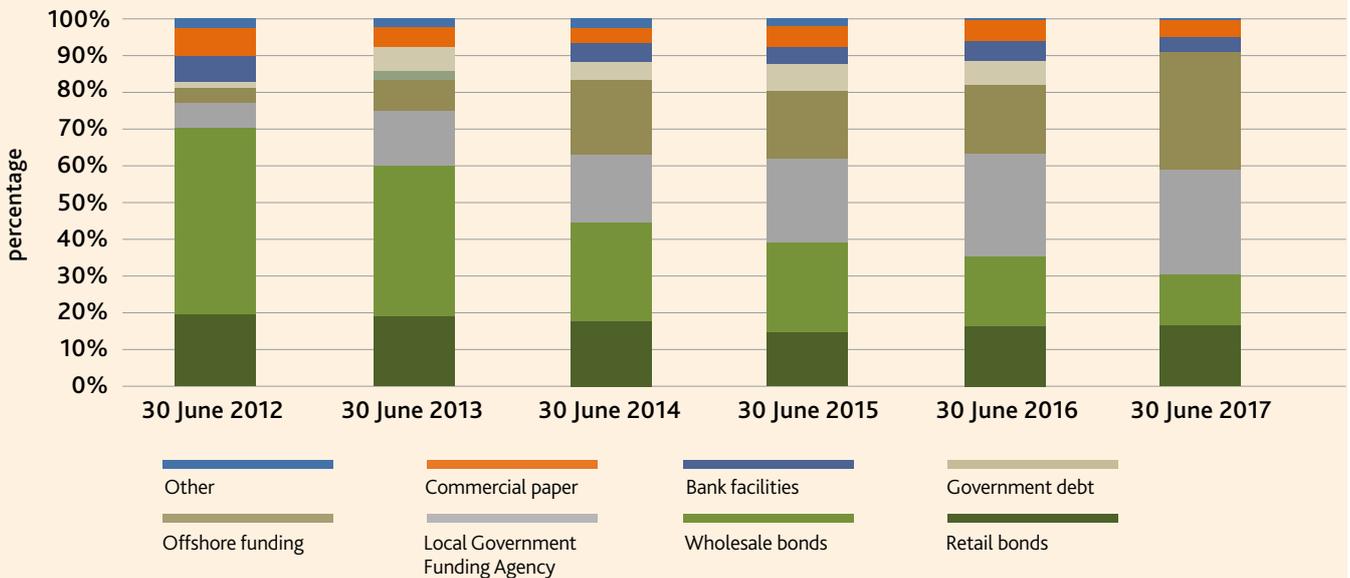
The three main borrowing sources are New Zealand investors, the Local Government Funding Agency and offshore markets. The group mitigates all foreign currency risks on offshore borrowings by entering into derivative contracts with approved counterparties that convert foreign currencies to New Zealand dollars.

The group’s current debt level and annual interest cost remains prudent relative to the group’s annual revenue and total assets.

Group debt relative to assets and revenue



Group funding mix



Summary statement of comprehensive revenue and expenditure

For the year ended 30 June 2017

\$million	Group			Council		
	Actual 2017	Budget 2017	Actual 2016	Actual 2017	Budget 2017	Actual 2016
Revenue						
Rates	1,641	1,637	1,564	1,651	1,649	1,574
Fees and user charges	1,193	1,228	1,083	252	242	243
Grants and subsidies	459	500	404	16	37	22
Development and financial contributions	164	163	131	164	163	131
Other revenue	281	240	260	166	182	179
Vested assets	374	196	247	106	74	64
Finance revenue	17	5	16	91	95	100
Total revenue excluding other gains	4,129	3,969	3,705	2,446	2,442	2,313
Expenditure						
Employee benefits	853	811	803	508	481	484
Depreciation and amortisation	874	886	828	256	256	237
Grants, contributions and sponsorship	127	125	126	1,057	1,057	909
Other operating expenses	1,464	1,380	1,281	570	480	516
Finance costs	471	465	417	413	415	360
Total expenditure excluding other losses	3,789	3,667	3,455	2,804	2,689	2,506
Operating surplus/(deficit) before gains and losses	340	302	250	(358)	(247)	(193)
Net other gains/(losses)	281	-	(552)	161	-	(443)
Share of surplus in associates and joint ventures	75	55	63	4	2	-
Surplus/(deficit) before income tax	696	357	(239)	(193)	(245)	(636)
Income tax expense/(benefit)	56	27	(8)	-	-	-
Surplus/(deficit) after income tax	640	330	(231)	(193)	(245)	(636)
Other comprehensive revenue/(expenditure)						
Net gain on revaluation of property, plant and equipment	1,468	1,018	1,626	-	-	1,156
Tax on revaluation of property, plant and equipment	-	(91)	(4)	-	-	-
Movement in cash flow hedge reserve	3	-	(9)	-	-	-
Tax on movement in cash flow hedge reserve	-	-	2	-	-	-
Share of associates and joint ventures' reserves	2	-	171	-	-	-
Net unrealised gain on revaluation of financial assets classified as available-for-sale	11	-	2	-	-	-
Total other comprehensive revenue	1,484	927	1,788	-	-	1,156
Total comprehensive revenue/(expenditure)	2,124	1,257	1,557	(193)	(245)	520

Summary statement of financial position

As at 30 June 2017

\$million	Group			Council		
	Actual 2017	Budget 2017	Actual 2016	Actual 2017	Budget 2017	Actual 2016
Current assets						
Non-current assets held-for-sale	332	53	43	40	52	32
Other current assets	993	876	830	930	789	765
Total current assets	1,325	929	873	970	841	797
Non-current assets						
Property, plant and equipment	43,361	42,439	41,156	13,659	13,059	13,410
Investment in subsidiaries	-	-	-	21,068	21,178	21,080
Investment in associates and joint ventures	1,096	900	1,074	16	18	14
Other non-current assets	1,577	1,447	1,576	2,441	2,512	2,334
Total non-current assets	46,034	44,786	43,806	37,184	36,767	36,838
Total assets	47,359	45,715	44,679	38,154	37,608	37,635
Current liabilities						
Current borrowings	1,125	1,613	1,447	975	1,408	1,169
Other current liabilities	878	905	814	804	786	694
Total current liabilities	2,003	2,518	2,261	1,779	2,194	1,863
Non-current liabilities						
Non-current borrowings	7,175	7,153	6,164	6,729	6,617	5,772
Other non-current liabilities	2,405	1,987	2,602	1,049	615	1,210
Total non-current liabilities	9,580	9,140	8,766	7,778	7,232	6,982
Total liabilities	11,583	11,658	11,027	9,557	9,426	8,845
Net assets	35,776	34,057	33,652	28,597	28,182	28,790
Equity						
Total equity	35,776	34,057	33,652	28,597	28,182	28,790

Summary statement of changes in equity

For the year ended 30 June 2017

\$million	Group			Council		
	Actual 2017	Budget 2017	Actual 2016	Actual 2017	Budget 2017	Actual 2016
Opening equity as at 1 July	33,652	32,800	32,079	28,790	28,427	28,270
Total comprehensive revenue/ (expenditure)	2,124	1,257	1,557	(193)	(245)	520
Found assets	-	-	16	-	-	-
Closing equity as at 30 June	35,776	34,057	33,652	28,597	28,182	28,790
Components of equity						
Contributed equity	26,728	26,728	26,728	26,569	26,569	26,569
Accumulated funds	951	1,075	290	(824)	(476)	(633)
Reserves	8,097	6,254	6,634	2,852	2,089	2,854
Total equity	35,776	34,057	33,652	28,597	28,182	28,790

Summary statement of cash flows

For the year ended 30 June 2017

\$million	Group			Council		
	Actual 2017	Budget 2017	Actual 2016	Actual 2017	Budget 2017	Actual 2016
Net cash inflow/(outflow) from operating activities	814	1,031	771	(206)	(154)	(75)
Net cash outflow from investing activities	(1,325)	(1,772)	(1,338)	(416)	(683)	(569)
Net cash inflow from financing activities	714	741	358	798	837	465
Net increase/(decrease) in cash and cash equivalents	203	-	(209)	176	-	(179)
Opening cash and cash equivalents	128	330	337	103	282	282
Closing cash and cash equivalents	331	330	128	279	282	103

Basis of reporting

Auckland Council has designated itself and the group as public benefit entities and applies New Zealand Tier 1 Public Benefit Entity Accounting Standards (PBE Accounting Standards). These standards are based on International Public Sector Accounting Standards, with amendments for the New Zealand environment. The full financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice, PBE Accounting Standards and other applicable financial reporting standards, as appropriate for public benefit entities. The summary financial statements comply with Public Benefit Entity Financial Reporting Standard 43: *Summary Financial Statements*.

The information presented is in New Zealand dollars, which is the functional currency of each of the group's entities, rounded to the nearest million dollars (\$million) unless otherwise stated.

The summary financial statements and associated disclosures have been extracted from the full annual report. However, the summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements.

These summary financial statements have been audited, and an unmodified audit opinion has been received and included in this volume.

The full and summary financial statements for the year ended 30 June 2017 were authorised for issue by the council's Governing Body on 28 September 2017.

City Rail Link project

The City Rail Link (CRL) is an underground rail line that will link Britomart and the city centre with the existing western line near Mt. Eden. The CRL is a significant infrastructure project to enhance the capacity and performance of Auckland rail services and improve transport outcomes in Auckland.

The Crown and the council (the Sponsors) have, through a Sponsors Agreement signed on 30 June 2017, agreed in principle to equally co-fund the development and delivery of the CRL over the life of the project. The Sponsors have incorporated City Rail Link Limited (CRL) which assumed the responsibility from Auckland Transport for the design and construction of the CRL from 1 July 2017 pursuant to the Project Delivery Agreement.

The expected costs of the project are \$3.4 billion which will be confirmed once all the contracts are finalised. The maximum funding limits for the project agreed by the Sponsors totals \$3.6 billion. In line with the Long-term Plan 2015-2025, the council's funding limit is \$1.8 billion, inclusive of 50 per cent of the costs already incurred by Auckland Transport. CRL will make funding requests over the life of the project which is expected to be completed in 2023.

The group has assessed that the council and the Crown jointly control CRL since the Sponsors have a binding agreement to share control in the governance of CRL. The Sponsors have created a joint sponsors' forum which is responsible for the top-level oversight of the CRL project and where the Sponsors approve major project decisions which are key relevant activities of CRL.

To facilitate the transfer of responsibility for the CRL project from Auckland Transport to CRL, existing project assets are being transferred from the council group to CRL as and from 1 July 2017 pursuant to the Asset Transfer Agreement. Subsequent to balance sheet date, CRL obtained the necessary authority to assume responsibility of the CRL project and the Crown's commitments came into effect.

Non-current assets held for sale

At 30 June 2017, Auckland Transport has reclassified the CRL assets of \$435 million to non-current assets held for transfer, previously under property, plant and equipment since CRL has assumed responsibility to complete the CRL project effective 1 July 2017.

The group will contribute 100 per cent of the CRL assets to get a 50 per cent share of CRL. The Crown will reimburse the group in the form of cash paid to the council equal to 50 per cent of the costs incurred by the group in respect of the CRL project to date for its 50 per cent share in CRL. This will establish the new co-funded go-forward position for the CRL project.

At a group level, since the council will retain 50 per cent control of CRL assets as a co-sponsor in funding CRL, at 30 June 2017, the group classified 50 per cent of CRL assets to non-current assets held-for-sale from property, plant and equipment's operational land and buildings and work in progress.

The carrying value of 50 per cent of CRL assets held for sale as at 30 June 2017 amounted to \$217 million. No impairment loss was recognised upon the reclassification of the 50 per cent CRL assets.

Subsequent events

In July 2017, the Crown announced \$300 million of new funding through the Housing Infrastructure Fund (HIF) that will unlock new housing development in Auckland's north west through investment in transport, wastewater and stormwater projects earmarked as priority, fast-track initiatives.

The Crown subsequently announced \$600 million in network infrastructure for housing developments through Crown Infrastructure Partners, previously Crown Fibre Holdings, with the purpose of setting up special purpose companies to build and own new trunk infrastructure for housing developments. Two of the earliest projects to be assessed by Crown Infrastructure Partners for investment will be the Auckland North and Auckland South projects previously submitted by the council through the HIF bid submission process.

The impact of the Crown's announcement on housing infrastructure to the group's results and financial position is dependent on finalising the terms of agreements.

Subsequent to balance sheet date, CRL obtained the necessary authority to assume responsibility of the CRL project and the Crown's commitments came into effect.

There were no other material events after reporting date which would require adjustment or disclosure for the group and the council.

Summary of waivers granted by NZX

For the purposes of NZX Listing Rule 10.4.5(f), Auckland Council (the council) discloses that, in the 12-month period preceding 30 June 2017, NZX has granted and published and the council has relied on the following waivers from Listing Rule 5.2.3:

- a waiver in respect of its issue of \$250 million of fixed rate bonds (AKC090 Bonds), as extended by NZX on 29 September 2016 for a further 12-month period
- a waiver in respect of its issue of \$180 million of fixed rate bonds (AKC100 Bonds) for a period of six months from the quotation date of the AKC100 Bonds

in each case to allowing the council to have fewer than 100 bondholders who are members of the public holding at least 25 per cent of the AKC090 Bonds and the AKC100 Bonds on issue.

NZX granted these waivers on the following conditions:

- the council must clearly and prominently disclose each waiver, its conditions and its implications in its half-year report, for the period that each waiver is relied upon
- the council must notify NZX as soon as practicable if there is a material reduction to the total number of members of the public holding at least a Minimum Holding (as defined in the NZX Main Board / Debt Market Listing Rules) of the AKC090 Bonds or AKC100 Bonds and/or the percentage of the AKC090 Bonds or AKC100 Bonds held by members of the public holding at least a Minimum Holding

- In respect of the AKC090 Bonds, the council must:
 - (a) ensure that for the period of the waiver, the AKC090s are held by at least 80 members of the public holding at least 15 per cent of the AKC090 Bonds on issue, with each member of the public holding at least a Minimum Holding
 - (b) provide NZX with a written update of the total number of members of the public holding at least a Minimum Holding of the AKC090 Bonds and the percentage of the AKC090 Bonds held by members of the public holding at least a Minimum Holding following AKC's financial year end. This update is to be provided to NZX within 10 business days of the end of the financial year.
- In respect of the AKC100 Bonds, the council must:
 - (a) clearly and prominently disclose the waiver and its implications in the Series Notice for the AKC100 Bonds and any other offering document relating to an offer of the AKC100 Bonds made during the period of the waiver
 - (b) disclose liquidity as a risk in the Series Notice for the AKC100 Bonds.

The effect of these waivers is that the AKC090 Bonds and the AKC100 Bonds may not be widely held and there may be reduced liquidity in those bonds.

For more information on the group's financial results please refer to volume 3 of the annual report.



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF AUCKLAND COUNCIL'S SUMMARY OF THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

The summary of the annual report was derived from the annual report of Auckland Council for the year ended 30 June 2017.

The summary of the annual report comprises the following summary statements on pages 24 to 33 and 57 to 66:

- the summary statement of financial position as at 30 June 2017;
- the summaries of the statement of comprehensive revenue and expenditure, statement of changes in equity and statement of cash flows for the year ended 30 June 2017;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service performance referred to as service performance overview of the Auckland Council Group.

Opinion

In my opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: *Summary Financial Statements*.

Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

The full annual report and my audit report thereon

I expressed an unmodified audit opinion on the information I audited in the full annual report for the year ended 30 June 2017 in my auditor's report dated 28 September 2017.

Council's responsibility for the summary of the annual report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: *Summary Financial Statements*.

Auditor's responsibility

My responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: *Summary Financial Statements*.

My opinion on the summary of the annual report is based on procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to reporting on the summary of the annual report, I have reported on the full annual report, and my staff and appointed auditors and their staff have carried out a range of other assurance and consultancy engagements. Other than this reporting and these engagements, and in exercising functions and powers under the Public Audit Act 2001, I have no relationship with, or interests in the Auckland Council or any of its subsidiaries and controlled entities.



Greg Schollum
Deputy Auditor-General
Wellington, New Zealand
28 September 2017

Me pēhea te whakapā mai ki te kaunihera

How to contact the council

Online	www.aucklandcouncil.govt.nz/contactus
Phone	09 301 0101
Post	Auckland Council, Private Bag 92300, Auckland 1142

At a customer service centre	
Albany	30 Kell Drive, Albany
Birkenhead	Corner of Rawene Road and Hinemoa Street, Birkenhead
Browns Bay	Corner of Bute Road and Glen Road, Browns Bay
Central city	Bledisloe House, 24 Wellesley Street, Auckland Central 35 Graham Street, Auckland Central
Devonport	2 Victoria Road, Devonport
Glen Eden	39 Glenmall Place, Glen Eden
Glenfield	90 Bentley Avenue, Glenfield
Great Barrier Island	75 Hector Sanderson Road, Claris
Helensville	49 Commercial Road, Helensville
Henderson	6 Henderson Valley Road, Henderson
Huapai	296 Main Road (SH16), Huapai
Manukau	Ground Floor, Kotuku House, 4 Osterley Way, Manukau
New Lynn	31 Totara Avenue, New Lynn
Ōrewa	50 Centreway Road, Ōrewa
Papakura	35 Coles Crescent, Papakura
Pukekohe	82 Manukau Road, Pukekohe
Takapuna	1 The Strand, Takapuna
Waiheke Island	10 Belgium Street, Ostend
Waiuku	Corner of King Street and Constable Road, Waiuku
Warkworth	1 Baxter Street, Warkworth
Whangaparāoa	9 Main Street, Whangaparāoa

Visit our website for opening hours and list of services available at each service centre.

ISSN 2253-136X (Print)
ISSN 2253-1378 (Online, PDF)
